

QUARTERLY UPDATE

First Half of Fiscal Year 2010 Financial Results and Business Update

Snapshot

February 18, 2010

Authentidate Holding Corp. is a worldwide provider of secure Health Information Exchange, workflow management services, and telehealth solutions. Its software and web-based services enable healthcare organizations to increase revenues, improve productivity and patient care, and reduce costs by eliminating paper and manual work steps and enhancing compliance with regulatory requirements. The Company's Inscribe® platform integrates workflow automation, electronic signatures, transaction management capabilities, rules-based electronic forms, intelligent routing, and identity credentialing and verification. Inscribe® facilitates a gradual migration from existing paper processes by allowing customers to select the modules they want to implement and supporting mixed-modal forms of communication. The Company's chief initiative, Inscribe® Healthcare, is a secure Health Information Exchange network that sends, receives, and tracks documents and other information over various communication modes, while seamlessly interfacing with billing and document management systems. Inscribe® Healthcare automates a number of workflows, including order processing, hospital patient discharge, and remote patient vital signs monitoring (ExpressMD™ Solutions), and enables online review and electronic signature of healthcare documents while validating the identity of the physician and other parties involved. ExpressMD™ Solutions is a joint venture that provides remote, in-home monitoring systems to deliver patients' vital signs to healthcare providers via the Internet. Authentidate incorporates content authentication into its products through its use of the U.S. Postal Service® (USPS®) Electronic Postmark® (EPM®), a content integrity and time-and-date stamp application that verifies the authenticity of an electronic file or document at a specific point in time. Authentidate also markets Inscribe® Office.

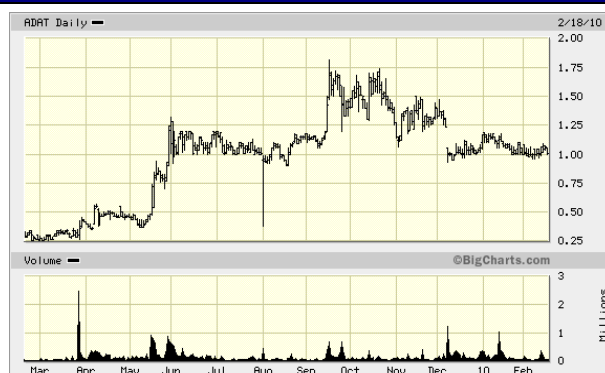
AuthentiDate®

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Recent Financial Data

| Ticker (Exchange) | ADAT (NASDAQ) |
|-----------------------------|-----------------|
| Recent Price (02/18/2010) | \$1.01 |
| 52-week Range | \$0.25 - \$1.81 |
| Shares Outstanding | ~38.2 million |
| Market Capitalization | \$38.6 million |
| Average 3-month Volume | 182,874 |
| Insider Owners + 5% | 9.5% |
| Institutional Owners | ~15.0% |
| EPS (Qtr. ended 12/31/2009) | (\$0.08) |
| Employees | 65 |



Key Points

- In February 2010, Authentidate reported financial data for the first half of FY 2010 (ended December 31, 2009). Total revenue increased over the comparable FY 2009 period to nearly \$3.6 million for the first half of FY 2010. Net loss declined from a year ago to \$4.9 million, or a loss of \$0.14 per share, in the first half of FY 2010.
- In the past six months, Authentidate has announced several new Inscribe® Healthcare projects, including with Preferred Homecare, Landauer Metropolitan, Inc., HomeTown Oxygen, Home Care of the Carolinas, Alliance Medical, Inc., LifeCare Solutions, Inc., U.S. Home Health Care, Inc., and Medical Services of America, Inc.
- Additionally, the Company has deployed the first ExpressMD™ telehealth patient monitoring devices to Dr. Benedict Maniscalco for use in his cardiology practice and his Florida-based Chronic Heart Disease program for congestive heart failure (CHF) patients. Traditional Home Health and Hospice in Dunmore, Pennsylvania, has also selected the Electronic House Call™ system to remotely manage its CHF patient population.
- Going forward, Authentidate believes that the timing and prospects for its solutions are favorable, particularly due to current emphasis on healthcare reform and industry trends to reduce costs, shorten hospital stays, shift patient care toward wellness and preventive care programs, and automate healthcare records and processes.
- Authentidate raised \$2.9 million in net proceeds from a registered direct offering of Common Stock and Warrants during December 2009, and received a further \$500,000 from the exercise of Warrants in January 2010. As of December 31, 2009, the Company had cash, cash equivalents, and marketable securities of approximately \$4.2 million and deferred revenue of \$1.1 million.

Financial Results and Recent Events

First Six Months of Fiscal Year 2010

On February 11, 2010, Authentidate announced its financial results for the first half of FY 2010 ended December 31, 2009. The Company reported total revenue of nearly \$3.6 million for the first six months of FY 2010 versus \$3.3 million for the first half of FY 2009. These results reflected an approximate 25% increase in revenues from new customer projects at the Company's German operations, offset in part by a decrease in U.S. revenues related to the expiration of the Company's contract with Liberty Medical Supply, Inc. in March 2009 when Liberty was acquired by Medco Health Solutions, Inc. (MHS-NYSE). Subsequently, Authentidate signed a new contract with Liberty Medical and is now working to ramp-up transaction volume during the coming quarters.

Selling, general, and administrative (SG&A) expenses for the first six months of FY 2010 were approximately \$5 million, which declined from nearly \$5.8 million in the first six months of FY 2009. The decrease reflected cost management activities and lower share-based compensation expense for the period, which was offset by the timing of audit and related expenses from period to period.

Net loss was approximately \$4.9 million, or a loss of \$0.14 per share, in the period versus \$5 million, or a loss of \$0.15 per share, for the year-ago period. The decrease primarily reflected revenue growth, cost management activities, and lower share-based compensation expense, which was offset in part by the non-cash amortization expense for deferred financing costs.

As of December 31, 2009, the Company had cash, cash equivalents, and marketable securities of approximately \$4.2 million and deferred revenue of \$1.1 million. Total assets at December 31, 2009, were over \$23.5 million. During December 2009, Authentidate completed the sale of 3.4 million shares of Common Stock and Warrants to purchase 3.4 million shares at \$1.00 per share and raised net proceeds of \$2.9 million. These funds are being used for working capital and general corporate purposes, which includes supporting the ExpressMD™ telehealth products and services.

Additionally, subsequent to the quarter's end, Authentidate received \$500,000 from the exercise of Warrants issued in connection with the sale of Common Stock. Based on its cash position at December 31, 2009, these January 2010 proceeds, and its business plan, the Company believes that it possesses sufficient resources to fund its operations for 12 months.

Second Quarter FY 2010

For the second quarter FY 2010, the Company reported total revenue of over \$1.5 million versus \$1.6 million during the second quarter FY 2009. From the first quarter FY 2010, Authentidate's second quarter FY 2010 revenue declined approximately 24% due to less revenue from the German operations that offset quarter-over-quarter growth in U.S. revenue of approximately 19%. Revenues from Authentidate's German operations decreased due to the timing of certain contract awards and project implementations. The Company's U.S. revenues had been affected by the expiration of its contract with Liberty Medical; however, the decrease in U.S. revenues was offset in part by increased transaction volume from other customers and from new customer projects in the U.S.

The Company reported SG&A expenses of approximately \$2.5 million for the second quarter FY 2010 versus \$2.9 million in the year-ago term due to the same factors as for the first half SG&A results (presented above).

Net loss was approximately \$2.8 million, or a loss of \$0.08 per share, for the second quarter FY 2010 versus \$2.6 million, or a loss of \$0.07 per share, for the same quarter a year ago. The increase was due to a non-cash expense of \$533,000 for the amortization of deferred financing costs related to Authentidate's Standby Commitment from September 2009, which expired in connection with a capital raise in December 2009. Greater details of this Standby Commitment and its expiration are available on page 15 of Authentidate's Form 10-Q filed with the U.S. Securities and Exchange Commission (SEC) on February 11, 2010.

Recent Events

An overview of the Company's recent announcements is provided below, referring the reader to Authentidate's website for complete press releases (www.authentidate.com).

- *On February 17, 2010*, Authentidate announced that Preferred Homecare, a provider of comprehensive home healthcare products and services, selected the Company's Inscribe® Healthcare web-based service to further enhance the management of critical business workflows. Preferred Homecare stated that it decided to implement Inscribe® Healthcare because of its reputation for streamlining communications with referring physicians. It interfaces with Preferred Homecare's CareCentric® Mestamed® system, which helps to speed-up the processing of referrals and related approvals for patient care as well as reduces errors and administrative costs.
- *On February 11, 2010*, ExpressMD™ Solutions announced that Traditional Home Health and Hospice in Dunmore, Pennsylvania, selected the Electronic House Call™ system for use in its congestive heart failure (CHF) patient management program. Traditional Home Health and Hospice intended to use the Electronic House Call™ system to remotely manage its CHF patient population.
- *On January 19, 2010*, the Company announced that Landauer Metropolitan, Inc., the largest closely held home medical equipment provider in the northeastern U.S., implemented Authentidate's Inscribe® Healthcare service to standardize its company-wide care order processing. Landauer Metropolitan currently services more than 500 health insurance benefit organizations in addition to Medicare and state Medicaid agencies.
- *On January 4, 2010*, Authentidate announced that HomeTown Oxygen, a supplier of home respiratory products and services, implemented Inscribe® Healthcare to simplify the prompt completion of patient care orders.
- *On December 14, 2009*, the Company announced that Home Care of the Carolinas, a home health agency, and Alliance Medical, Inc., a durable medical equipment supplier, selected Authentidate's Inscribe® Healthcare web-based service to streamline and standardize processes for the completion of patient care orders. Both organizations are part of the Stanly Regional Medical Center family of healthcare organizations, which serve Stanly, Montgomery, and surrounding counties of North Carolina.
- *On December 11, 2009*, Authentidate announced that it completed its previously announced registered direct offering of Common Stock and Warrants, resulting in gross proceeds of \$3.4 million. Authentidate issued 3.4 million shares of Common Stock and Warrants to purchase up to 3.4 million additional shares of Common Stock to institutional and accredited investors. The Warrants are exercisable for a 90-day period through March 10, 2010, at an exercise price of \$1.00 per share.
- *On November 17, 2009*, the Company announced that Mr. Harry J. Silverman joined its Board of Directors. As executive vice president and chief financial officer (CFO) of Domino's Pizza, Inc. (DPZ-NYSE), Mr. Silverman was responsible for all finance, treasury, and accounting functions. Mr. Silverman retired from Domino's in December 2005 after overseeing the company's initial public offering (IPO) in 2004. He previously served as a member of the Board of Directors of Authentidate in 2004 but left the Board at the time of Domino's IPO.
- *On November 6, 2009*, Authentidate introduced an interface that allows Inscribe® Healthcare to integrate with one of the homecare industry's leading information systems, Definitive Homecare Solutions Ltd's CPR+. Inscribe® Healthcare is included in the CPR+ Integrated Solutions Provider program, designed to integrate homecare solutions from leading service providers with CPR+.

- *On September 29, 2009*, ExpressMD™ Solutions announced an agreement with Dr. Benedict Maniscalco to use the Electronic House Call™ telehealth monitoring solution in his cardiology practice as well as for his new Florida-based Chronic Heart Disease program for congestive heart failure (CHF) patients. As addressed on pages 10-11, the Electronic House Call™ telehealth solution allows physicians to remotely monitor patients' vital signs, thereby helping to reduce the cost of patient care while enabling healthcare providers to improve their patients' medical outcomes.
- *On September 2, 2009*, Authentidate International AG announced that its Signature Lifecycle Management Base Component (SLMBC) received certification in accordance with the German Digital Signature Act. This certification provides independent proof of security in accordance with the conditions of the signature act and ordinance. To the Company's knowledge, the SLMBC represents the world's first certified signature software based on a Software as a Service (SaaS) architecture. The SLMBC allows the representation of virtually any signature and timestamp application using a standard software component.
- *On August 24, 2009*, Authentidate announced that LifeCare Solutions, Inc., a provider of home healthcare services and medical equipment, selected Inscribe® Healthcare to simplify completion of healthcare documentation with physicians.
- *On August 17, 2009*, the Company announced that U.S. Home Health Care, Inc., a Chicago-based provider of home healthcare services and medical equipment, implemented Inscribe® Healthcare to streamline healthcare referral orders, other exchanges, and workflows.
- *On August 3, 2009*, Authentidate announced that Medical Services of America, Inc., a provider of home healthcare services and medical equipment headquartered in Lexington, South Carolina, was implementing Inscribe® Healthcare to streamline completion of healthcare referral orders and other healthcare documentation by physicians.
- *On June 15, 2009*, Authentidate announced that it received notice from the NASDAQ Stock Market that it regained compliance with the \$1.00 minimum bid price requirement for continued listing on the NASDAQ Capital Market. In the notification, NASDAQ advised the Company that this matter was closed. Authentidate regained compliance with NASDAQ's requirements when the closing bid price for the Company's Common Stock was at or above \$1.00 for 10 consecutive business days.
- *On June 10, 2009*, the Company was covered in a televised interview on Bloomberg Television where Jeffrey Kraws, senior research analyst and cofounder of Crystal Research Associates, LLC, appeared discussing healthcare reform and its impact on the pharmaceutical sector. Mr. Kraws also discussed the push toward greater research and development and electronic medical records, and overviewed entities that may benefit from healthcare reform, including Authentidate. The June 10th interview can be viewed under the Bloomberg section of Crystal Research Associates' Media Page at www.crystalra.com/about/media.php.

Company Background

Authentidate Holding Corp. (“Authentidate” or “the Company”) is a worldwide provider of secure Health Information Exchange, workflow management services, and telehealth solutions. The Company’s software and web-based services enable healthcare organizations and other enterprises to increase revenues, improve productivity and patient care, and reduce costs by eliminating paper and manual work steps from clinical, administrative, and other processes and by enhancing compliance with regulatory requirements. The web-based applications are delivered as Software as a Service (SaaS) to customers, interfacing seamlessly with billing and document management systems. Authentidate’s offerings allow for the automation of complex workflows, reduction of paper-based processes, and the easy exchange, management, and accessibility of information. Through its ExpressMD™ Solutions joint venture, the Company also provides telehealth products and services for the in-home monitoring of patients’ vital signs via the Internet. In the past 12 months, Authentidate achieved a number of milestones that have served to enhance the Company’s position and broaden its customer base, as summarized in Table 1.

Table 1

Authentidate Holding Corp.

A SELECTION OF AUTHENTIDATE'S RECENT MILESTONES

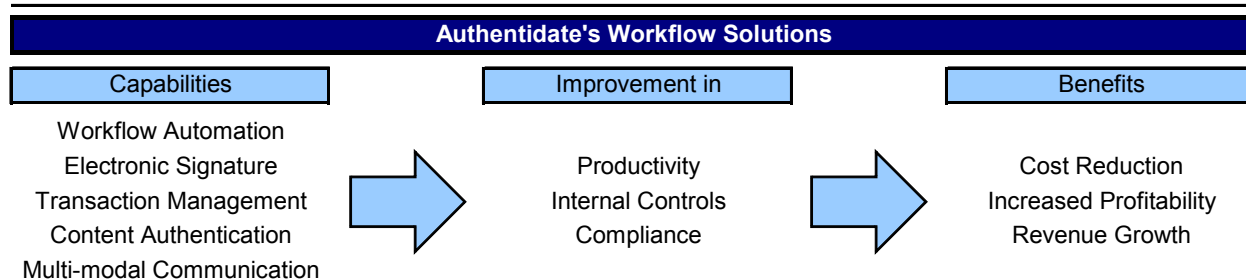
- Added several new Inscribe® Healthcare projects, including Preferred Homecare, Landauer Metropolitan, Inc., HomeTown Oxygen, Home Care of the Carolinas (HCC), Alliance Medical, Inc., LifeCare Solutions, Inc., U.S. Home Health Care, Inc., Medical Services of America, Inc., UroMed Inc., SuperCare Medical, Inc., Total e-medical, Inc., Community Home Care Services, VirtuOx, Inc., and Liberty Medical Supply, Inc.
- Developed interfaces that allow Inscribe® Healthcare to be integrated with many of the standard providers of billing systems, electronic medical records, and practice management systems, including an interface with Definitive Homecare Solutions' CPR+ that facilitated the Company’s entry into the hospice market
- Extended its reach into the Health Information Exchange business via an integration of Inscribe® Healthcare with a well-known provider of Health Information Exchange infrastructure and healthcare solutions
- Expanded addressable markets by adding new hospital discharge products and services
- Received 510(k) market clearance from the U.S. Food and Drug Administration (FDA) for ExpressMD™ Solution’s Electronic House Call™ remote patient monitoring telehealth device
- Deployed the first ExpressMD™ telehealth patient monitoring devices and services in August 2009 in connection with a chronic heart disease telehealth program in Florida
- Raised gross proceeds of \$3.4 million in December 2009 and a further \$500,000 in net proceeds in January 2010
- Increased revenues and reduced net loss in the first half of FY 2010 versus the first half of FY 2009

Source: Authentidate Holding Corp.

The Company’s web-based applications incorporate workflow automation, electronic signature, and transaction management capabilities by employing a variety of features, including rules-based electronic forms, web- and fax-based communication capabilities, intelligent routing, and security technologies, such as electronic signatures, identity management and verification, and content authentication. The combination of these functionalities improves productivity, internal controls, and compliance, ultimately leading to cost reduction, increased profitability, and revenue growth as summarized in Figure 1 (page 6).

Authentidate operates in the U.S. and Germany through its subsidiaries, Authentidate, Inc. and Authentidate International AG, and its ExpressMD™ Solutions joint venture. In the U.S., the business is engaged in the development and sale of hosted applications and services based on the Inscribe® platform and telehealth products and services. Inscribe® provides business process software solutions, bringing together an integrated suite of capabilities to enable the secure and trusted exchange of content seamlessly via fax or over the Internet. In Germany, the Company develops and sells software applications that provide electronic signature and timestamp capabilities for a variety of corporate processes, including electronic billing, archiving, and eHealth security solutions.

Figure 1
Authentidate Holding Corp.
PRODUCT BENEFITS



Sources: Crystal Research Associates, LLC and Authentidate Holding Corp.

Authentidate's Inscribe® service uses the SaaS distribution model. SaaS is a type of system deployment in which all of the software and data is hosted and managed at a central data center operated by the vendor. The users can access the system remotely through a broadband Internet connection and their web browsers. The consumer typically pays a monthly subscription and/or transaction fee to use the service, rather than purchasing the software upfront.

One of the most recent uses of SaaS technology is workflow automation software. Workflow automation is beginning to make an impact on the healthcare industry. With ongoing pressure to control costs and complicated, compliance-intensive processes, healthcare providers and organizations are seeking new ways to reduce costs and improve productivity. According to an Economist Intelligence Unit Ltd. survey of 53 senior healthcare executives, the most significant challenges faced by healthcare providers are government pressure to reduce costs and consumer backlash over rising costs (Source: *Efficiency cure: Finding cost savings in healthcare administration*, an Oracle Corp. [ORCL-NASDAQ] white paper, 2004).

A leading contributor to the rising cost of healthcare is an increase in paperwork and administrative expenses. Approximately 31% of all U.S. healthcare costs are related to paperwork (Source: *New England Journal of Medicine* 349:768-775; 2003). Using healthcare spending figures from the Centers for Medicare and Medicaid Services (CMS), Authentidate calculates that this percentage translates into over \$600 billion in annual spending for healthcare administration—a number that the Company expects to reach \$1.3 trillion by 2017. The high administrative expenses can be attributed to the overhead costs of healthcare providers and the complex healthcare regulatory environment. In addition, the operating costs of private insurers and the hundreds of different insurance plans that must be tracked, each with different coverage, payment rules, and referral networks, contribute to the high cost of administration (Source: Physicians for a National Health Program [PNHP] 2003).

In May 2009, several studies were published documenting costs associated with billing and health plans. Based on a national survey evaluating the amount of time physicians and their staff spend interacting with health plans, the cost to U.S. healthcare systems is estimated to be between \$23 billion and \$31 billion per year. An additional study determined that billing and insurance activities cost medical groups roughly 10% of revenue, or approximately \$85,276 per physician. As a result, there is a significant need for the widespread adoption of healthcare information technology (IT) systems and related technologies as a tool to reduce administrative expenses and improve healthcare resources and processes.

Products and Services

Authentidate provides applications and services incorporating workflow automation, electronic signature, and transaction management capabilities based on its Inscribe® platform. Inscribe® is designed for ease of use and flexibility, and can be easily customized to meet the workflow needs of specific industries or companies. Inscribe® products and services are scalable, facilitating the gradual migration from existing paper processes, thus increasing the probability of acceptance among users. The ability of Inscribe® to permit customers to choose the modules they want to implement, as well as the platform's ability to support mixed-modal forms of communication (paper/fax and electronic, depicted in Figure 2 [page 7]), contribute to the platform's gradual transition, functionality, and versatility.

Figure 2
Authentidate Holding Corp.
INSCRYBE™ MIXED-MODAL CAPABILITY



Inscribe™ users process all transactions electronically.



Parties can receive or send documents from and to an Inscribe™ user in paper/fax and electronic modes without the need to be an Inscribe™ user.

Sources: Crystal Research Associates, LLC and Authentidate Holding Corp.

Inscribe® Healthcare

Inscribe® Healthcare, one of Authentidate's main strategic initiatives, is a secure web-based Health Information Exchange and workflow automation solution that enables healthcare industry participants to securely exchange and track a variety of documents and other information over multiple modes of communication, including electronic and fax delivery. Inscribe® Healthcare incorporates electronic signatures, rules-based electronic forms, content authentication using the U.S. Postal Service® Electronic Postmark® (USPS® EPM®), workflow intelligence for routing and transaction management, and identity credentialing and verification. It allows users to streamline a number of critical workflows, including order processing, Plan of Care (POC) forms, Certificates of Medical Necessity (CMN), hospital discharge referrals, remote patient vital signs monitoring, and other important processes. It also facilitates the online review and electronic signature of healthcare documentation, while validating the identity of the parties involved. Further, it complies with Health Insurance Portability and Accountability Act (HIPAA) guidelines.

Authentidate believes that Inscribe® Healthcare can improve productivity and service levels, reduce reimbursement cycle times, and provide a verifiable transaction audit trail for increased compliance. Authentidate conducted a test on the effects of the implementation of Inscribe® Healthcare for American HomePatient, Inc. (AHOM-NASDAQ), one of the nation's largest home healthcare providers. The implementation of Inscribe® Healthcare resulted in a reduction in turnaround time for critical documents and an increase in document handling capacity. Document turnaround time decreased from an average of 20 to 22 days to an average of five to seven days. Document capacity also improved by 30% to 40%, from 420 transactions to nearly 600 transactions per employee. These results were in line with estimates from other implementations of a 30% to 60% cost savings and a 30% to 40% throughput improvement.

Inscribe® Healthcare's ability to automate important workflows, enable electronic signatures, and enhance transaction management capabilities provides advantages that are important in the healthcare industry. The platform's handling of dual forms of communication (fax/electronic) allows its users to automate key processes now and move to fully electronic transactions at their own pace, without the need for other companies or physicians' offices to use the same system or a compatible solution. Physicians can choose to transition to electronic documents or to continue to operate in paper/fax mode, and still receive many of the improved workflow benefits of Inscribe® Healthcare. In addition, the content authentication and time-and-date stamp capabilities that Inscribe® Healthcare offers allow insurance and Medicare audit processes to be conducted faster, as documents related to the specific cases are readily available. This reduces an audit's time requirement and decreases the likelihood of providing auditors with superfluous paperwork that could lead to further inquiries not within the scope of the original issue.

Health Information Exchange systems strive for the seamless mobilization of healthcare information electronically across organizations within a region, community, or hospital system. The Certification Commission for Healthcare IT (CCHIT) is an independent organization developing certification processes for electronic health records and Health Information Exchange systems. The CCHIT is leading the

certification process by defining the capabilities and specifications required for products to be officially recognized as a certified product. Authentidate is adhering to the developing specifications of CCHIT, and plans to seek certification for Inscribe® Healthcare during 2011.

To further extend its reach into the Health Information Exchange business, the Company is in the process of completing an integration of Inscribe® Healthcare with a well-known provider of Health Information Exchange infrastructure and healthcare solutions. Inscribe® applications are expected to be made available to providers in Health Information Exchange projects that utilize this vendor's technology. Authentidate intends to formally announce the details of this collaboration during the first quarter of calendar year 2010.

A factor contributing to the growing adoption of Inscribe® Healthcare is its modular design, which offers customers the ability to implement the full array of functions or to choose components that meet their greatest needs. Inscribe® Healthcare allows for the gradual migration of consumers from their current paper-based systems to an ultimate goal of an efficient, paperless, and automated work environment. Customers can choose to implement a specific module to automate a key part of their operations, such as order management, and implement a second and third module at a later time to further automate other processes. This enables Authentidate to solve new problems for customers, up-selling existing modules and creating new applications as needs are identified.

In addition, Authentidate has focused on the development of interfaces that allow Inscribe® Healthcare to be seamlessly integrated with many billing platforms, document management and practice management systems, electronic medical records, and related systems currently used by prospecting clients. According to the Company, it currently has interfaces with most of the standard providers of billing systems and electronic medical records. This facilitates the secure exchange of information between multiple parties and products, translating into faster and easier implementation of the Company's offerings and enhanced benefits for the customer.

Authentidate's development of interfaces with major entities in the healthcare industry not only simplifies implementation of its products but can also drive sales by allowing the Company to enter into further segments of the healthcare market. For example, Authentidate has integrated with Definitive Homecare Solutions Ltd's CPR+, a billing and practice management system for the homecare industry. In November 2009, Authentidate announced the introduction of an interface that allows Inscribe® Healthcare to be integrated with the CPR+ system and provides Authentidate with access to the CPR+ base of customers, which includes over 1,200 CPR+ implementations. This relationship has facilitated the Company's entry into the hospice and home infusion market.

New Client Agreements

Authentidate believes that its database of more than 100,000 physicians increases the Company's attractiveness to electronic health record companies and other practice management providers trying to reach this customer base, which facilitates future strategic relationships and interface development with these companies. In total, over 300,000 physicians currently interact with Authentidate's products and services. To this effect, Authentidate has recently announced a number of new client agreements. Snapshots of a few of the new agreements are provided below and on page 9.

- Landauer Metropolitan, Inc., a closely held home medical equipment provider in the northeastern U.S., implemented Inscribe® Healthcare to standardize its company-wide care order processing. Landauer Metropolitan stated that the ability to integrate multiple billing and practice management systems into a unified solution allows it to manage future growth.
- HomeTown Oxygen, a supplier of home respiratory products and services, implemented Inscribe® Healthcare to simplify the prompt completion of patient care orders. HomeTown Oxygen selected Inscribe® Healthcare to help reduce the time and effort required to complete patient care orders, resulting in reduced costs and improved service to its patients and referral sources.

- Home Care of the Carolinas (HCC), a home health agency, and Alliance Medical, Inc. (AMI), a durable medical equipment supplier, selected Inscribe® Healthcare to streamline and standardize processes for patient care orders. Both organizations are part of the Stanly Regional Medical Center family of healthcare organizations, which serves North Carolina. HCC and AMI seek to enhance productivity and improve clinical and administrative efficiencies, and selected Inscribe® to streamline complex workflows, reduce transaction costs, and interface with the Cerner® and CareCentric® MestaMed® billing and management systems in use at HCC and AMI, respectively.
- LifeCare Solutions, Inc., a provider of home healthcare services and medical equipment in parts of California, Arizona, and Washington, selected Inscribe® Healthcare to simplify completion of healthcare documentation with physicians. LifeCare believes that Inscribe® Healthcare can help it enhance communications with referring physicians while accelerating the completion of healthcare documentation for services, equipment, and patient supplies.
- U.S. Home Health Care, Inc., a Chicago-based provider of home healthcare services and medical equipment, implemented Inscribe® Healthcare to streamline healthcare referral orders, other exchanges, and workflows. U.S. Home Health Care selected Inscribe® Healthcare due to its ability to standardize and automate what is typically a complex, manual, administrative process. Inscribe® Healthcare enabled U.S. Home Health Care to process its first care orders within minutes of training, as set-up and orientation were quick and simple.
- Medical Services of America, Inc., a provider of home healthcare services and medical equipment headquartered in Lexington, South Carolina, is also implementing Authentidate's product. Inscribe® Healthcare offers Medical Services of America options to transition to more efficient paperless communications and interface with its physician practice electronic medical records systems.

In addition, Authentidate has entered into a new contract with Liberty Medical Supply, Inc. As overviewed in the financial results on page 2, Liberty Medical's contract with the Company expired in March 2009 following its acquisition by Medco Health Solutions, Inc., negatively impacting revenues for Authentidate's U.S. operations. The Company is working to ramp-up transaction volume during the coming quarters.

Patient Discharge Services

Another example of the Company's expansion through technical integration is its relationship with Avaya Inc. The Company announced in April 2009 that, through a collaboration with Nortel Networks, Inscribe® Healthcare patient placement was integrated with Nortel's Patient Discharge Solution (PDS) to improve hospital patient discharges. This relationship continued after Nortel Enterprise Solutions' acquisition by Avaya in December 2009. The combination of these two solutions enables transparent information flow between Avaya's PDS and Inscribe® Healthcare using federated identity management—a system that allows individuals to sign onto the networks of more than one enterprise using the same user name, password, or other means of personal identification for each network in order to conduct transactions. As such, using a single logon, a physician or nurse can initiate the discharge process with Avaya's PDS, which communicates all appropriate patient information to Inscribe® Healthcare, enabling hospital staff to complete the patient discharge placement process for post acute care, medical equipment, therapy, and other services for patients securely over the Internet.

This process makes patient discharge procedures more efficient and cost effective by automating manual workflow processes and tracking the status of those communications, which may minimize the placement cycle time for post-acute care and increase the availability of hospital beds, equipment, and staff. According to Authentidate, although Avaya's acquisition of Nortel Enterprise Solutions resulted in some delays, it could also allow the Company to reach Avaya's larger customer base, as compared to Nortel, thereby expanding the potential economic benefit of this relationship.

Authentidate's patient discharge product's capabilities also benefit hospitals with respect to the economic liability that these institutions face if patients are readmitted to the hospital within a 30-day period. U.S. President Barack Obama and the U.S. Congress have both identified the reduction of readmissions as a target area for health reform. Part of President Obama's plan to reduce healthcare costs is to limit Medicare reimbursements of patients who are back in the hospital within 30 days of discharge (Source: *Chicago Tribune* 2009). A recent report published in the *New England Journal of Medicine* states that almost a fifth of Medicare beneficiaries were re-hospitalized within 30 days of discharge. Some have

suggested that part of the problem is a lack of post-hospital care, as more than half of the patients who were readmitted within 30 days had not been to a physician between the time of discharge and readmission (Source: *New England Journal of Medicine* 360:1418-1428; 2009).

The joint capabilities of Authentidate's patient discharge offerings and its telehealth patient monitoring products allow hospitals to maintain communication with the physician, clinic, or home health agencies in charge of the after care of the discharged patients on an outpatient basis. In addition, through the use of telehealth devices, hospitals have additional information with which to monitor patients. This combination of factors could reduce the need for readmissions, which may lower hospitals' financial liability.

ExpressMD™ Solutions

U.S. healthcare costs could be reduced by \$197 billion over the next 25 years through the widespread use of remote monitoring to track vital signs of patients with chronic diseases, such as congestive heart failure (CHF) and diabetes. Heart disease, diabetes, chronic obstructive pulmonary disease (COPD), and chronic wounds are among the conditions that could result in large savings (Source: *Vital Signs via Broadband: Remote Health Monitoring Transmits Savings, Enhances Lives* 2008). In addition, according to a January 2008 study from the State University of New York at Fredonia, demand for patient monitoring systems in the primary U.S. healthcare sector is forecast to increase 5.9% per year to an estimated \$12 billion by 2012 based on contributions to positive therapeutic outcomes and efficiencies.

ExpressMD™ Solutions, a joint venture between Authentidate and EncounterCare Solutions, Inc. (www.encountercare.com), provides in-home patient vital signs monitoring systems and services that securely enable a caregiver to remotely monitor a patient via the Internet. ExpressMD™ could enable healthcare providers to reduce the cost of providing care while improving the quality of such care. ExpressMD™ combines EncounterCare's Electronic House Call™ patient vital signs monitoring appliances with a specially designed web-based management and monitoring software module based on Authentidate's Inscribe® Healthcare platform. During FY 2009, Authentidate identified sources for the materials needed to manufacture the monitoring appliances, completed testing for the appliances, and arranged for the production of the appliances with a contract manufacturer.

The ExpressMD™ solution enables unattended measurement of patients' vital signs and related health information. Patients' data is sent electronically to their physicians or healthcare providers for review. ExpressMD™ is designed to aid wellness and preventive care and deliver better care to segments of the population that require regular monitoring of serious medical conditions, such as the elderly or patients with chronic illnesses. Using the ExpressMD™ solution, healthcare providers are intended to be able to easily view a specific patient's vital statistics and make adjustments to the patient's care plans via the Internet. The ExpressMD™ solution is designed to provide patients with increased peace of mind and improved condition outcomes through a combination of care plan schedule reminders and comprehensive disease management education on their in-home communication unit. ExpressMD™ provides intelligent routing to alert on-duty caregivers when a patient's vital signs are outside of the practitioner's pre-set ranges. Healthcare providers and health insurers are also expected to benefit by having additional tools to improve patient care and reduce overall in-person and emergency room visits. The Company plans to focus its efforts on preventative care for chronic care patients in the following areas:

- Congestive Heart Failure (CHF);
- Chronic Obstructive Pulmonary Disease (COPD);
- Diabetes; and
- Asthma.

In April 2009, ExpressMD™ received 510(k) market clearance from the FDA. In September 2009, ExpressMD™ Solutions entered into an agreement with Dr. Benedict Maniscalco to use Electronic House Call™ in his cardiology practice as well as for his new Florida-based Chronic Heart Disease program for CHF patients. Dr. Maniscalco has specialized in cardiovascular diseases since 1976 and he has served the American College of Cardiology at the local, state, and national levels in various leadership roles. He is also chief executive officer (CEO) and chairman of Heartbeat International (www.heartbeatintl.org), founder of the St. Joseph's Heart Institution in Tampa, Florida, and a member of the American Medical Association and American Heart Association, among many other associations and institutions.

In the future, Dr. Maniscalco could expand his use of Electronic House Call™ to include multiple cardiovascular heart specialty centers throughout Florida in addition to the CHF patients at his practice. Dr. Maniscalco's selection of Electronic House Call™ was based on several factors, including empowering CHF patients to manage their own chronic disease effectively, emphasizing preventive cardiology care, and the possibility of advantages for health insurance plans by reducing hospital readmissions as well as the overall cost of CHF treatment. Additionally, in February 2010, Traditional Home Health and Hospice in Dunmore, Pennsylvania, selected the Electronic House Call™ system to remotely manage its CHF patient population as well.

The Company is currently in discussions with a number of insurance companies for the implementation of Express MD™. Authentidate plans to capitalize on relationships with companies and physicians who use ExpressMD™ to create additional market demand for its Inscribe® Healthcare platform. By integrating Inscribe® Healthcare with the ExpressMD™ solution, physicians are able to access additional features, such as verification of physician and practitioner credentials, as well as the review, update, and electronic signature of medical documentation. This allows physicians to document the time spent monitoring and following up on the data transmitted, facilitating billing and reducing the potential for an audit.

Electronic Signatures/USPS® EPM®

The need to establish the identity and authentication of computer-based transactions is key for the adoption of automated workflow systems. An electronic signature can be used to authenticate the identity of the sender of a message or the signer of a document but may not ensure that the original document or message is unchanged or establish the date and time of the transaction. In many workflow applications, including healthcare processes, these features are important for compliance purposes.

Authentidate's association with the USPS® allows the Company to combine its proprietary content authentication technology with a well-known, trusted third-party brand. The USPS® EPM® is a content integrity and time-and-date stamp application that enables a user to have a digital record of a transaction created and stored by a trusted third party that can be used to verify the content, date, time, and parties related to the transaction in the future. The EPM® can also detect whether or not documents or files stamped with an EPM® seal have been changed or modified in any way since the seal was applied. The use of these technologies provides Authentidate's products and services with third-party evidence to support non-repudiation of electronic transactions and provides users with auditable workflow solutions.

Inscribe® Office

Inscribe® Office is a web-based service that allows businesses to securely sign, seal, and confirm receipt of documents over the web. It is designed for use in document-intensive and legal- and compliance-heavy industries, such as government agencies, real estate, law, intellectual property, and finance. Authentidate uses its Inscribe® Office platform capabilities to develop applications for government agencies and business enterprises looking to streamline their operating processes. The service offers the benefits of secure and verifiable online document exchange, with features such as acknowledgment of receipt, verification of recipient identity, content authentication using the USPS® EPM®, and audit trails. Inscribe® Office also allows for the online storage and access of documents, increasing transaction speeds.

Currently, Inscribe® Office's main application is County Public Records™, which allows municipal and government records offices to offer the public real-time, self-serve web access to downloadable, certified copies of select public records. The general public can search and instantly print a certified copy of any permitted public record, including deeds, mortgages, releases, easements, and surveys. Through the use of County Public Records™, government offices can reduce office overhead costs by eliminating the resources needed to comply with the many requests for documentation by the public.

Authentidate International AG (Germany)

Authentidate International AG and its wholly owned subsidiary Authentidate Deutschland GmbH develop and sell software solutions for European and international customers. Authentidate's German operations provide signature-based business process software solutions that enable the user to utilize personal signatures and timestamps on electronic documentation, in accordance with the German Digital Signature Act and the European Union (EU) Signature Directive. Authentidate International's product offerings include the following: (1) Electronic Signatures; (2) Timestamps; and (3) Professional Services—all of which focus on electronic billing and archiving solutions and customized security solutions primarily for

the German healthcare market. The product range includes tools for creating personal signatures at the workstation to server solutions for central, automatic mass signatures. Authentidate International also provides eHealth security solutions for the German healthcare market.

Authentidate International is currently focused on electronic invoicing and healthcare security solutions. Its products can be sold as stand-alone products or can be integrated into the software providers' current offerings. Providers of software solutions can integrate these signature and timestamp solutions into their own products and then market them as a standard part of their solution.

Authentidate's Signature Lifecycle Management Base Component (SLMBC)

In September 2009, the Company obtained certification for its extensive base component—the Signature Lifecycle Management Base Component (SLMBC)—in accordance with the German Digital Signature Act. This certification provides independent proof of security in accordance with the conditions of the signature act and ordinance. Authentidate's SLMBC has been tested by an accredited independent test center and certified by an authorized approval center in accordance with the requirements for the German Digital Signature Act.

Authentidate believes that its SLMBC is the first to allow the representation of virtually any signature and timestamp application using a standard software component. The SLMBC incorporates a core SaaS architecture that allows the use of greater signature functions without new software installations. The SLMBC's applications include signature generation for individuals, batches, convenience, and mass signatures as well as signature authentication. After installing the Signature Act-certified base software component, users have a license key that allows them to access their particular functions. If the user's needs change after purchasing specific functions, subsequent signature applications can be licensed from Authentidate without requiring a new installation—which the Company believes is unlike many alternative marketed technologies. This feature helps users keep costs low while retaining flexibility. In addition, functions are available for requesting and generating timestamps compliant with international standard RFC3161 (Internet X.509 Public Key Infrastructure Time-Stamp Protocol).

Authentidate designed the SLMBC with an intuitive user interface intended to facilitate signing and timestamps for electronic data in a quick and legally compliant manner by even inexperienced operators. The SLMBC also supports card readers and signature cards from various current market providers. Thus, customers are able to select which hardware they want to use. Moreover, the scope of delivery of the SLMBC includes a legally compliant trusted viewer for the safe viewing of data and test results that are to be signed. The trusted viewer can be used to sign both individual and multiple files.

History, Headquarters, and Employees

The Company was organized in August 1985 as Bitwise Designs, Inc. and changed its name to Authentidate Holding Corp. in March 2001. Authentidate currently operates through its subsidiaries, Authentidate, Inc. and Authentidate International AG, and its joint venture ExpressMD™ Solutions. Authentidate, Inc. was organized as a majority-owned subsidiary during the 2000 fiscal year. The Company now owns 100% of the outstanding capital stock of this subsidiary. Authentidate International AG was formed through a joint venture in March 2000 with Authentidate, Inc. In March 2002, the Company acquired all of the outstanding capital stock of Authentidate International not held by its subsidiary. Authentidate's German operations are conducted mainly by Authentidate Deutschland GmbH, a wholly owned subsidiary of Authentidate International. Further, ExpressMD™ Solutions was formed in June 2008 as a 50/50 joint venture with EncounterCare Solutions, Inc.

In June 2008, Authentidate transferred the listing of its Common Stock from the NASDAQ Global Market to the NASDAQ Capital Market. The Company's executive offices are located in Berkeley Heights, New Jersey, with offices for Authentidate International AG located in Düsseldorf, Germany. As of June 30, 2009, Authentidate employed approximately 65 full-time individuals throughout its operations, including senior management, following an approximate 20% reduction in planned staffing levels in FY 2008 as a result of the Company's strategic plans to reduce and manage costs.

Key Points to Consider

- Authentidate provides secure Health Information Exchange, workflow management, and telehealth solutions that enable the automation of complex processes involving multiple parties and the secure execution of trusted electronic transactions. Authentidate's offerings allow automation of workflows, reduction of paper-based processes, and easy management and accessibility of information. The combination of these functionalities improves productivity, internal controls, and compliance, ultimately leading to revenue growth, cost reduction, and increased profitability.
- During FY 2009 and the beginning of FY 2010, the Company continued to refine its strategic focus, complete its core service offerings, acquire new Inscribe® Healthcare customers, expand addressable markets, reduce operating costs, and position its business for long-term growth.
 - In the U.S., Authentidate continued to invest in the Inscribe® platform with particular emphasis on refining and marketing Inscribe® Healthcare, which included entering the Home Infusion market through an interface agreement with Definitive Homecare Solutions' CPR+.
 - In Germany, Authentidate continues to garner acceptance for the electronic invoicing product and is focused on further penetrating the healthcare market with security technology offerings.
- Going forward, the Company believes the timing and prospects for its solutions are favorable, given the current emphasis on healthcare reform in Washington, D.C. and trends in the U.S. healthcare industry to reduce costs, shorten the length of hospital stays, shift patient care towards wellness and preventative care programs, and automate healthcare records and processes.
- One of the contributors to the rising cost of healthcare is the increase in paperwork and administrative costs. According to a report published in the *New England Journal of Medicine*, 31% of all U.S. healthcare costs are related to paperwork. This could translate into over \$600 billion in annual spending, a number that is expected to reach \$1.3 trillion by 2017.
 - In May 2009, several studies were published documenting the costs associated with billing and health plans. The cost to U.S. healthcare systems was estimated to be between \$23 billion and \$31 billion per year. Further, billing and insurance activities may cost medical groups 10% of revenue or roughly \$85,276 per physician. As such, there is a significant need for the widespread adoption of a tool to reduce administrative expenses and improve healthcare processes.
- Authentidate's business is engaged in the development and sale of hosted applications and services based on the Inscribe® platform. The Inscribe® platform incorporates workflow automation, electronic signatures, and transaction management features designed for easy use and flexibility.
 - The Inscribe® platform offers customers the ability to choose the modules or functionalities they want to implement and supports mixed-modal forms of communication (e.g., paper/fax and electronic), allowing a particular transaction to begin in one form and be completed in the other.
- Inscribe® Healthcare is a web-based Health Information Exchange and workflow automation system that enables healthcare industry participants to securely exchange and track a variety of documents and certificates over different communication modes. The system incorporates electronic signatures, content authentication, and workflow intelligence, and complies with HIPAA guidelines.
- Authentidate tested the effects of implementing Inscribe® Healthcare for American HomePatient, Inc. Document turnaround time decreased from an average of 20 to 22 days to between five and seven days while transaction capacity improved 30% to 40%, providing significant cost savings.
- During the past six months, Authentidate signed several new client agreements for Inscribe® Healthcare, including with Preferred Homecare, Landauer Metropolitan, HomeTown Oxygen, Home Care of the Carolinas, Alliance Medical, LifeCare Solutions, U.S. Home Health Care, and Medical Services of America. Authentidate has also entered into a new contract with Liberty Medical Supply, Inc., subsequent to the expiration of a former contract in March 2009 following Liberty Medical's acquisition by Medco Health.

- To further extend its reach into the Health Information Exchange business, Authentidate is integrating Inscribe® Healthcare with a well-known provider of Health Information Exchange infrastructure and healthcare solutions in order to make Inscribe® applications available to providers in Health Information Exchange projects that use this vendor's technology. The Company expects to formally announce details of this collaboration during the first quarter of calendar year 2010.
- In April 2009, the Company announced the integration of Nortel Networks' Patient Discharge Solution (PDS) with Inscribe® Healthcare's patient placement solution to facilitate patient discharge procedures. According to Authentidate, although Avaya's acquisition of Nortel Enterprise Solutions (completed in December 2009) resulted in some delays, it could also allow the Company to reach Avaya's larger customer base, expanding the potential economic benefit of this relationship.
- Authentidate has formed a joint venture with EncounterCare Solutions, Inc., called ExpressMD™ Solutions, which provides in-home patient vital signs monitoring systems that enable caregivers to remotely monitor patients' vital signs. Authentidate expects the joint venture not only to generate revenue, but also to create market demand for Inscribe® Healthcare by creating a relationship with healthcare companies and physicians using ExpressMD™.
 - ExpressMD™ Solutions' Electronic House Call™ system has received 510(k) clearance from the U.S. Food and Drug Administration (FDA), and the Company entered into an agreement with Dr. Benedict Maniscalco to use the system in his cardiology practice as well as in his Florida-based Chronic Heart Disease program for congestive heart failure (CHF) patients. Traditional Home Health and Hospice in Dunmore, Pennsylvania, has also selected the Electronic House Call™ system to remotely manage its CHF patient population.
 - According to a January 2008 research study conducted by the State University of New York at Fredonia, the demand for patient monitoring systems in the primary healthcare sector in the U.S. is forecast to increase 5.9% per year to an estimated \$12 billion by 2012. In addition, a 2008 study indicated that healthcare costs in the U.S. could be reduced by \$197 billion over the next 25 years through widespread use of remote monitoring systems in patients with chronic diseases.
- Authentidate's content authentication involves the use of the U.S. Postal Service® (USPS®) Electronic Postmark® (EPM®). The USPS® EPM® is a content integrity and time-and-date stamp application to verify the authenticity of an electronic document or file. The EPM® seal provides a digital record of a transaction that can verify the content, date, time, and parties related to the transaction. This service combines Authentidate's proprietary content authentication technology with a well-known, trusted third-party brand.
- Authentidate International AG and its wholly owned subsidiary, Authentidate Deutschland GmbH, develop software solutions for European and international customers. Authentidate's German operations provide signature-based business process software solutions that enable users to employ personal signatures and timestamps on electronic documentation, in accordance with the German Digital Signature Act and the EU Signature Directive. Authentidate International is currently focused on electronic invoicing and healthcare security solutions.
 - In September 2009, the Company obtained certification for its extensive base component—the Signature Lifecycle Management Base Component (SLMBC)—in accordance with the German Digital Signature Act. To the Company's knowledge, this represents the world's first certified signature software based on a Software as a Service (SaaS) architecture.
- Authentidate raised \$2.9 million in net proceeds from a registered direct offering of Common Stock and Warrants during December 2009, and received a further \$500,000 from the exercise of Warrants in January 2010. As of December 31, 2009, the Company had cash, cash equivalents, and marketable securities of approximately \$4.2 million and deferred revenue of \$1.1 million.

Risks

Some of the information in this Quarterly Update relates to future events or future business and financial performance. Such statements can only be predictions and the actual events or results may differ from those discussed due to the risks described in Authentidate's statements on Forms 10-K, 10-Q, 8-K, as well as other forms filed from time to time. The content of this update with respect to Authentidate has been compiled primarily from information available to the public released by Authentidate through news releases, Annual Reports, and U.S. Securities and Exchange Commission (SEC) filings. Authentidate is solely responsible for the accuracy of this information. Information as to other companies has been prepared from publicly available information and has not been independently verified by Authentidate. Certain summaries of activities have been condensed to aid the reader in gaining a general understanding. For more complete information about Authentidate, please refer to the Company's website at www.authentidate.com. Additionally, please refer to Crystal Research Associates' base report, the Executive Informational Overview® (EIO®) dated March 3, 2009, and located on Crystal Research Associates' website at www.crystalra.com for more comprehensive details of Authentidate's risk factors.



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