

QUARTERLY UPDATE

Second Quarter FY 2012 Business Update

Snapshot

February 29, 2012

Authentidate Holding Corp. provides secure web-based software applications and telehealth products and services. The Company's offerings enable healthcare organizations to increase revenues, improve productivity, enhance patient care, and reduce costs by eliminating paper and manual work steps while enhancing compliance with regulatory requirements. Working to make healthcare organizations more efficient by reducing the estimated \$600 billion spent on paperwork annually, Authentidate's customers include leading homecare companies, health systems, physician groups, and government organizations. The Company's software applications and telehealth solutions are delivered via Software as a Service (SaaS) platforms, thus only Internet and a web browser are required to implement these services. With web-based software like Inscribe[®] Hospital Discharge and Inscribe[®] Healthcare Referral and Order Management, users can streamline critical workflows, including referrals, order processing, hospital discharge referrals, secure patient communications, and other important healthcare processes. Moreover, Authentidate's integrated continuum of care for healthcare providers further includes the ExpressMD[™] remote patient monitoring solutions, such as Electronic House Call[™] (EHC) and the newly launched Interactive Voice Response. Both Inscribe[®] and ExpressMD[™] have shown to offer significant reductions in administrative and patient care costs while improving care.

AuthentiDate[®]

Authentidate Holding Corp.

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Recent Financial Data

Ticker (Exchange)	ADAT (NASDAQ)
Recent Price (02/28/2012)	\$0.69
52-week Range	\$0.45 - \$1.60
Shares Outstanding*	~53.8 million
Market Capitalization	~\$37 million
Average 3-month Volume	84,063
Insider Owners	4.4%
Institutional Owners + 5%	23.2%
EPS (6 mos. ended 12/31/2011)	(\$0.08)
Employees	38



* As of February 3, 2012.

Key Points

- For the first six months of FY 2012 (ended December 31, 2011), Authentidate reported revenues of \$1,412,000 versus \$1,428,000 for year-ago period due to greater revenues from telehealth products and services offset by lower revenues from hosted software services.
- During the period, the Company deployed telehealth infrastructure at the U.S. Department of Veterans Affairs (VA) in Austin, Texas, under a prior contract with the VA for the supply of home telehealth solutions to VA facilities across the U.S., as well as commenced the training and test-in phase and received initial product orders for the four regions designated by the VA for this project stage.
- The contract, awarded to only six companies, could be valued at up to \$122 million for Authentidate depending on the number of units purchased during the base year and during four consecutive one-year renewal options.
- During 2011 and early 2012, Authentidate's new clients included home healthcare service agencies, medical supply and equipment companies, and the University of Utah, among others. The Company also announced a national reseller agreement and a group purchasing program agreement to expand its sales channels.
- Authentidate believes that it is well positioned for growth based on current levels of customer interest, large addressable markets for its products and services, increasing awareness of its solutions, and the experience of its management. Company growth may also be positively impacted by national healthcare reform and industry trends toward reducing hospital stays, readmissions, and costs of care by improving in-home and preventative care, automation, and accountability. Authentidate's SaaS and telehealth offerings aim to meet these needs.
- At December 31, 2011, Authentidate held cash, cash equivalents, and marketable securities of approximately \$2.1 million and working capital for continuing operations of nearly \$4.2 million.

Recent Events and Financial Results

Recent Events

An overview of the Authentidate's recent announcements is provided below, referring the reader to the Company's website (www.authentidate.com) for complete press releases. Financial results for the first six months of fiscal year 2012 are provided on page 4.

- *On January 24, 2012*, an *Information Week* article summarized a new report from UK research firm 2020health.org that recognized the U.S. Department of Veterans Affairs (VA) Telehealth system as being a "model healthcare program." The UK's National Health Service (NHS), which plans to roll out a telemonitoring service for three million patients, could learn a lot from the VA home telehealth program, according to the report. From an American perspective, the report raises the question of why telehealth has not gained more traction in the U.S., considering the VA's success with it.
- *On January 19, 2012*, Authentidate announced that Meadville Medical Center selected its Electronic House Call™ (EHC) remote vital signs monitoring solution to monitor patients with congestive heart failure (CHF) and other chronic diseases. Meadville Medical Center is using the EHC solution as part of a chronic disease management program that is the result of collaboration with Highmark Blue Cross and Blue Shield.
- *On January 3, 2012*, the Company announced that the Premier healthcare alliance, a national performance improvement organization, awarded a group purchasing agreement to Authentidate for the provision of remote patient monitoring telehealth solutions in the Premier Physiological Monitoring, Vital Signs category. As a contracted supplier, Authentidate's EHC, kiosk, and Interactive Voice Response solutions are expected to be made available for purchase by the hospitals, clinics, and other healthcare organizations that are members of Premier.
- *On November 29, 2011*, Authentidate announced that it entered into a non-exclusive national reseller agreement with SHI International Corp. (www.shi.com), a global provider of software and hardware solutions with over 1,700 employees. The agreement allows SHI International to offer Authentidate's Inscribe® Healthcare Referral and Order Management, Inscribe® Hospital Discharge, and ExpressMD™ Remote Patient Monitoring healthcare solutions to customers. SHI believes that Authentidate's solutions can help it continue to build its healthcare market segment.
- *On November 28, 2011*, the Company announced that it completed a transaction with EncounterCare Solutions, Inc., its former joint venture partner in ExpressMD™ Solutions, LLC, pursuant to which EncounterCare agreed to transfer its ownership interest in the joint venture to Authentidate and ExpressMD™ became a wholly owned subsidiary of Authentidate. In addition, in connection with this transaction, EncounterCare and an affiliated company granted Authentidate a worldwide, perpetual, irrevocable, royalty-free, non-transferable (except as defined), non-exclusive license to use their intellectual property to continue to commercialize and develop the EHC remote patient monitoring device and related software sold by ExpressMD™ and to develop improvements and other products based on such intellectual property. In the transaction, Authentidate agreed to pay EncounterCare \$1 million in cash, payable over a period of 12 months, and to issue it 1,500,000 shares of Common Stock. The transaction closed on November 21, 2011.
- *On October 13, 2011*, Authentidate announced financial results for the fiscal 2011 fourth quarter and year ended June 30, 2011. Revenues for the three months ended June 30, 2011, from continuing operations were approximately \$708,000 versus \$659,000 for the same period in the prior year. These results reflect an increase in transaction volumes and growth from new customer projects.
- *On October 7, 2011*, the Company announced that it entered into agreements with institutional and accredited investors for a direct placement of \$4,112,500 of Common Stock and Warrants at a unit price of \$0.70 per share and warrant. Through this offering, Authentidate received net proceeds of over \$3.6 million.

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- *On September 23, 2011*, Authentidate filed a Form 8-K with the SEC announcing that on September 19, 2011, the Company received a staff deficiency letter from The Nasdaq Stock Market notifying the Company that for the past 30 consecutive business days, the closing bid price per share of its Common Stock was below the \$1.00 minimum bid price requirement for continued listing on NASDAQ, as required by Nasdaq Listing Rule 5550(a)(2). NASDAQ provided the Company with 180 calendar days, or until March 19, 2012, to regain compliance.
 - *On September 8, 2011*, KC's Home Health Care, Inc. (KC's), a home health agency in Kansas City, Missouri, implemented the ExpressMD™ EHC remote vital signs monitoring solution to improve condition outcomes for chronically ill patients in assisted care facilities. This solution allows patients to submit daily input through an EHC device designed for multi-patient monitoring without leaving their assisted care facility. ExpressMD™ is suited for patients who have chronic diseases such as CHF, chronic obstructive pulmonary disease (COPD), diabetes, hypertension, and sleep apnea, which are the types of chronic illnesses that KC's Home Health Care manages.
 - *On July 5, 2011*, Authentidate announced the results of a recent customer review it conducted with Pulmonary Associates, a privately owned physicians' practice specializing in pulmonary medicine, critical care medicine, and sleep medicine in Lancaster, Pennsylvania, which implemented Authentidate's Inscribe® Healthcare to eliminate paperwork and streamline referral and order management in its practice.

Pulmonary Associates implemented the Inscribe® Healthcare Referral and Order Management solution to combine its fax, paper, and electronic communications into one secure web-based dashboard. As a result, Pulmonary Associates now saves 15-20 hours of overtime each week that staff previously spent organizing and responding to paper forms. By using Inscribe®, Pulmonary Associates' addressable overtime and overhead expense savings in this area are conservatively estimated at roughly an 85% reduction. Using Inscribe® has enabled Pulmonary Associates to respond to and return care order requests in a matter of hours versus days. The home care providers receive the necessary completed paperwork from Pulmonary Associates faster, which enables a quicker response to patient needs.
 - *On June 27, 2011*, Authentidate announced that it was selected by the University of Utah to supply the Utah Telehealth Network (UTN) Utah Remote Monitoring Project, "Improving Healthcare One Patient at a Time" with its EHC remote monitoring device, remote monitoring kiosk device, and Interactive Voice Response telehealth solutions made available through ExpressMD™.
 - *On June 9, 2011*, Authentidate announced that WNC Health Network, Inc., a regional purchasing organization, had designated the Company as a preferred vendor for healthcare information automation and exchange services.
 - *On May 10, 2011*, the Company announced the results of its annual stockholder meeting held on May 5, 2011. Among other items, stockholders appointed the Company's president, Mr. O'Connell (Ben) Benjamin, to the additional position of chief executive officer (CEO) and elected J. Edward Sheridan, Mr. Benjamin, Todd A. Borus, M.D., J. David Luce, and John J. Waters to Authentidate's Board of Directors.
 - *On May 2, 2011*, Authentidate announced that Medical Plus Supplies, a comprehensive homecare provider based in Houston, Texas, selected the Inscribe® Healthcare referral management solution to manage its care orders (referrals).
 - *On May 2, 2011*, the Company announced that it received a letter from the NASDAQ Stock Market indicating that the Company had regained compliance with the \$1.00 per share minimum closing bid price requirement for continued listing on the NASDAQ pursuant to NASDAQ's Marketplace Rules. NASDAQ advised the Company that the matter was closed.
 - *On April 25, 2011*, Authentidate announced that Superior Oxygen & Medical Equipment, a West Reading, Pennsylvania-based supplier of home medical equipment, oxygen therapy, and supplies, implemented Inscribe® Healthcare to process referrals electronically.

First Six Months of FY 2012 Financial Results

On February 9, 2012, Authentidate released its financial results for the first six months of FY 2012, which ended December 31, 2011. The Company reported total revenues for the period of approximately \$1,412,000 versus \$1,428,000 for year-ago term. This change in revenues is due to greater revenues from the Company's telehealth products and services, which were offset by lower revenues from hosted software services. Revenues from hosted software services were affected by an acquisition of one of Authentidate's customers and the related contract expiration.

Authentidate's selling, general, and administrative (SG&A) expenses increased to roughly \$3.1 million for the period ended December 31, 2011, versus approximately \$2.9 million for the prior-year period. This increase reflects higher selling, special shareholder meeting, and stock compensation expenses. Total operating expenses for the first six months of FY 2012 were approximately \$5.0 million versus close to \$4.9 million in the prior year's period.

The Company reported a net loss from continuing and discontinued operations for the period ended December 31, 2011, of approximately \$3.6 million, or (\$0.08) per share, versus a net loss of nearly \$8.9 million, or (\$0.22) per share, for the period ended December 31, 2010. This net loss for the current period reflects an increase in selling expenses, special shareholder meeting costs, and stock compensation expenses which offset lower depreciation and amortization expenses. As well, the net loss for the prior FY 2011 period reflected a gain on the sale of certain non-core assets of \$0.4 million and a loss from discontinued operations of approximately \$5.7 million.

Cash Position

At December 31, 2011, Authentidate held cash, cash equivalents, and marketable securities of approximately \$2.1 million and working capital for continuing operations of nearly \$4.2 million.

Including its current resources, revenues generated from operations, and proceeds received from the exercise of outstanding Warrants (of which there can be no assurance), Authentidate expected (as of February 9, 2012) that it would have sufficient resources to satisfy its working capital requirements for at least the next 12 months; however, these resources may not be sufficient if it is required to redeem the outstanding shares of Series B and Series C Preferred Stock within the next 12 months, and it intends to attempt to renegotiate the terms of such securities. No assurances can be given, however, that the Company will be able to attain sales levels and support its costs through revenues derived from operations, generate sufficient cash flow to satisfy its other obligations, or successfully modify the terms of the preferred securities.

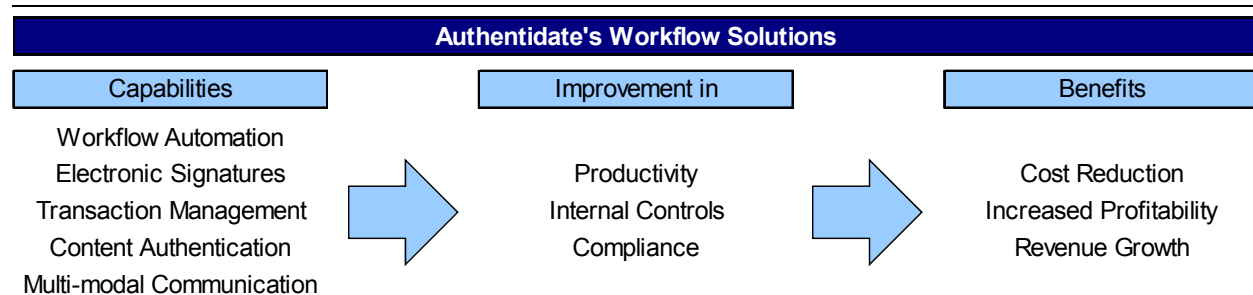
Importantly, Authentidate believes that it is well positioned for growth going forward, based on current levels of customer interest and increasing market awareness of its solutions. The Company further believes that it can continue to benefit from industry trends toward reducing costs and increasing preventative care programs as well as from government healthcare reforms, particularly as new provisions begin to take effect during 2012.

Company Background

Authentidate Holding Corp. (“Authentidate” or “the Company”) provides secure web-based software applications and telehealth products and services. The Company’s software and web-based offerings enable healthcare organizations to increase revenues, enhance patient care, improve productivity, and reduce costs by eliminating paper and manual work steps from clinical, administrative, and other processes while enhancing compliance with regulatory requirements. The Company’s customers and users include leading homecare companies, health systems, physician groups, and government organizations. Because Authentidate’s software applications and telehealth solutions are delivered via Software as a Service (SaaS) platforms, customers require only an Internet connection and web browser to implement the Company’s products.

The Company develops software and web-based applications that integrate workflow automation, electronic signatures, and transaction management capabilities based on its proprietary Inscribe® platform. These applications provide scalable solutions, facilitating a gradual migration from existing paper processes to electronic communications by offering customers the ability to choose the modules they want to implement and by supporting mixed-modal forms of communication (e.g., paper/fax and electronic). The combination of these functionalities improves productivity, internal controls, and compliance, potentially leading to reduced costs, increased profitability, and revenue growth, as summarized in Figure 1. Authentidate believes that the platform’s scalability increases the probability of its acceptance among users.

Figure 1
Authentidate Holding Corp.
PRODUCT BENEFITS



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

Authentidate is engaged in the development and sale of web-based services centered on its Inscribe® platform as well as remote patient monitoring (telehealth) solutions encompassing ExpressMD™ Solutions, Electronic House Call™ (EHC), and Interactive Voice Response products and services. Authentidate’s technology addresses emerging growth opportunities based on the regulatory and legal requirements specific to each market. For example, the Company’s offerings comply with Health Insurance Portability and Accountability Act (HIPAA) guidelines. The services are designed for ease of use and flexibility and, as such, can be customized to meet the needs of specific users.

Employing a SaaS Approach to Reduce Costs and Improve Productivity

Authentidate’s Inscribe® service uses the SaaS distribution model. SaaS is a type of system deployment where software and data are hosted and managed at a central data center operated by the vendor. Users can access the system remotely with an Internet connection and a web browser. Users pay 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 making an impact on healthcare, among other industries. 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. Pressures to reduce costs and consumer backlash over rising costs remain among the most significant challenges faced by healthcare providers.

Costs of Administrative Spending in the U.S. Healthcare Industry

The U.S. Centers for Medicaid and Medicare Services (CMS) estimated that the U.S. spent nearly \$2.5 trillion on healthcare in 2009, up from nearly \$2.4 trillion in 2008. A significant contributor to the rising cost of healthcare is an increase in paperwork and administrative expenses. Based on CMS figures, Authentidate calculates that annual administrative spending could total more than \$600 billion, a number expected to reach \$1.3 trillion by 2017.

According to various surveys, the cost to U.S. healthcare systems from health insurance plan management is estimated to be between \$23 billion and \$31 billion per year (Source: *Health Affairs* Vol. 28 [4]: 533:543; 2009). In addition, billing and insurance activities cost medical groups roughly 10% of revenues. As a result, there is a significant need for information technology (IT) systems that can reduce administrative expenses and improve healthcare resources and processes (Source: *Health Affairs*). Through products like the Inscribe® Hospital Discharge and Inscribe® Healthcare Referral and Order Management (described on pages 8-9), healthcare providers may be able to better manage their costs, operating more efficiently and profitably.

Positioned to Benefit from National Healthcare Reform Regulations and Major Healthcare Trends

Authentidate believes that its business may benefit from trends in the U.S. healthcare industry to significantly reduce costs, shorten the length of hospital stays, shift patient care toward wellness and preventive care programs, and automate healthcare records and processes. Moreover, the Company could benefit from the federal healthcare reforms signed into law in March 2010: the Patient Protection and Affordable Care Act, and the Health Care and Education Reconciliation Act of 2010. Among other changes, these acts include provisions that require most individuals to obtain health insurance, establish new regulations on health plans, establish health insurance exchanges, and modify certain payment systems to encourage more cost-effective care and to reduce inefficiencies and waste, including through new tools to address fraud and abuse.

Recent healthcare reform legislation is anticipated to drive insurance coverage for an estimated 32 million additional consumers—in turn, impacting the operations of Authentidate's core customer base. Increasing patient volumes may create capacity restraints for healthcare providers, which will likely seek out ways to more efficiently and economically operate under expanded coverage models. Authentidate further expects that its clients may encounter additional compliance and reporting challenges in the areas of pay-for-quality, coding requirements, and waste, fraud, and abuse measures. Accordingly, the Company believes that it is well positioned to meet these needs as healthcare organizations channel greater investments into healthcare IT solutions and services that maximize efficiencies.

Authentidate's Products and Services

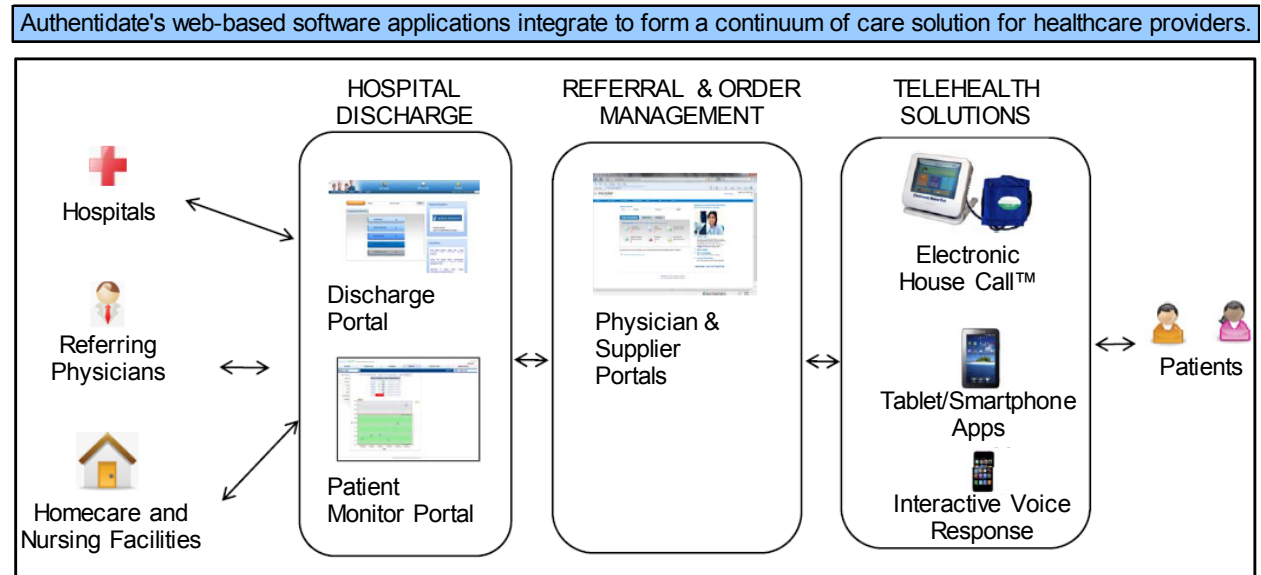
Authentidate's primary product and service offerings are based on the Inscribe® platform for secure, web-based, automated and trusted applications targeting the needs of enterprises in the healthcare market, and the ExpressMD™ telehealth products and services. Inscribe® gives healthcare industry participants the ability to securely exchange and track documents, certificates, authorizations, and other information over different modes of communication, including electronic and fax delivery. With web-based software services like Inscribe® Hospital Discharge and Inscribe® Healthcare Referral and Order Management, users can streamline a number of critical workflows, including referrals, order processing, Plan of Care forms, Certificates of Medical Necessity, hospital discharge referrals, secure patient communications, and other important healthcare processes.

The technology also facilitates the online review and electronic signing of healthcare documentation, while validating the identity of the parties involved. Authentidate provides customers with content authentication and time and date stamping services under the AuthentiProof™ brand, which was launched in March 2011. Authentidate and the USPS® are working together to ensure a smooth transition from the discontinued USPS® Electronic Postmark® (EPM®) brand, which includes a verification service to support existing USPS® EPM®s for seven years. The content authentication and time-and-date stamp capabilities that Inscribe® offers allow insurance and Medicare audit processes to be conducted faster, as documents related to the specific cases are readily available. This not only reduces an audit's time requirement but also decreases the likelihood of providing auditors with superfluous paperwork that could lead to additional inquiries not within the scope of the original issue.

Through the Inscribe® platform and its telehealth solutions, Authentidate is working to enable each of the following for users of its services:

- Accelerated patient placement at care facilities or care providers;
- Faster care order completion and approval;
- Patients who are connected to care providers through remote monitoring and communications; and
- An integrated post acute continuum of care solution for healthcare providers (as shown in Figure 2).

Figure 2
Authentidate Holding Corp.
CONTINUUM OF CARE SOLUTION



Source: Authentidate Holding Corp.

Inscribe® Hospital Discharge

The Inscribe® Hospital Discharge product is a secure web-based software service that is designed to simplify and speed the discharge process. This software assists discharge planners with finding the best care facilities or home care providers for patients. Authentidate maintains a nationwide database of referring physicians and post-acute care facilities, allowing hospital case managers using Inscribe® to easily match patients' needs with a post-acute care facility or home nursing care provider online. After the patient is released, the software enables continued monitoring of patient progress by hospital staff and facilitates physician communications. Inscribe® Hospital Discharge also improves facility utilization by optimizing patient length-of-stay and bed turnover. It automates the patient discharge process, and is believed to function more efficiently and cost effectively than current discharge practices. Inscribe® Hospital Discharge also provides hospitals with an effective tool to manage the new risks and exposures for hospital readmissions taking effect in October 2012 as part of government healthcare reforms.

In November 2011, Authentidate reported that it has begun to work with new customers for Inscribe® Hospital Discharge, which the Company believes can give it additional momentum in this market. In particular, customer interest in both the Inscribe® Hospital Discharge and Inscribe® Healthcare Referral and Order Management software (described below) is expanding as hospitals and other healthcare providers seek to better manage costs, comply with new rules and regulations, and improve their coordination of patient care.

Additionally, with nearly 6,000 hospitals in the U.S. and many having multiple locations that discharge patients, Authentidate estimates that only 20% of locations currently operate a discharge system that includes any form of automation. The Company believes there is a considerable market for this solution, and seeks to capitalize on cross-sell opportunities with its Inscribe® and telehealth products. The revenue model for Inscribe® Hospital Discharge optimally entails a recurring monthly subscription of between \$3,000 and \$5,000 per hospital location based on the number of discharges.

Inscribe® Healthcare Referral and Order Management

The web-based Inscribe® Healthcare Referral and Order Management platform entails a health information exchange and workflow automation solution for healthcare professionals where sensitive information can be securely exchanged between multiple parties and systems. With this software service, providers can rapidly and accurately process referrals and care orders, which include the capability to exchange, track, update time-sensitive material, and electronically sign referrals and care orders. It is designed to simplify complex clinical and administrative processes required for patient care.

Inscribe® Healthcare Referral and Order Management accelerates the processing of referrals and care orders while improving throughput. Authentidate has found that use of this SaaS may lead to a 30% to 70% reduction in document completion and approval time and a 20% to 40% improvement in throughput, as it eliminates paper and labor-intensive processes.

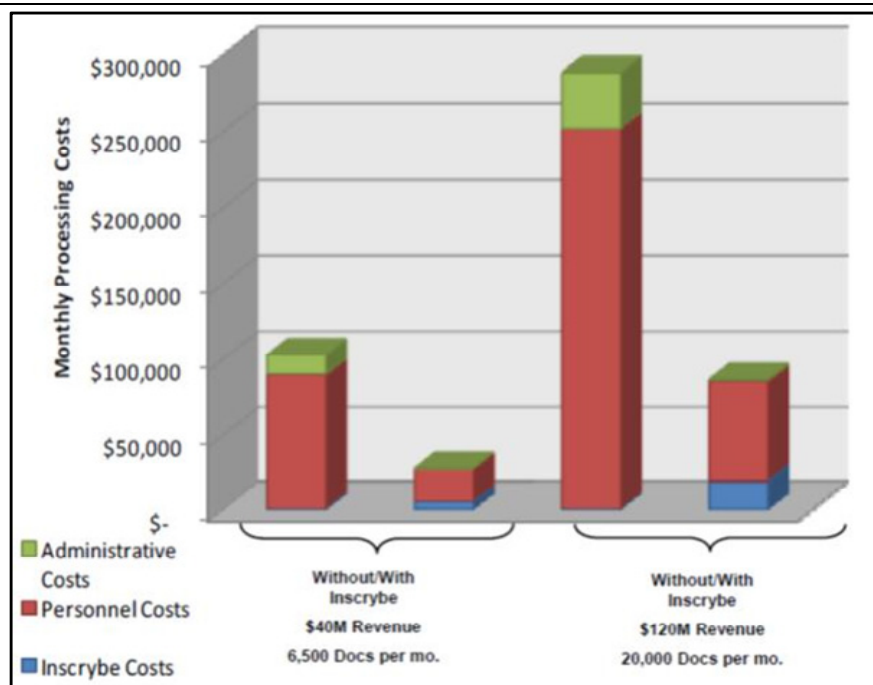
For example, Authentidate conducted a test on the effects of implementing Inscribe® for American HomePatient, Inc. (AHOM-NASDAQ), one of the nation's largest home healthcare providers. Results showed a reduction in turnaround time for critical documents from an average of between 20 and 22 days to an average of between five and seven days and an increase in document handling capacity by approximately 30% to 40%, from 420 transactions to nearly 600 transactions per employee. According to Authentidate, the results are in line with estimates from other implementations that usually result in a 30% to 60% cost savings and a 30% to 40% improvement in throughput. Authentidate believes that Inscribe® improves productivity and service levels, reduces approval and reimbursement cycle times, and provides a verifiable transaction audit trail for increased compliance.

Revenue Generation

At present, there are approximately 1,000 customer locations and 100,000 referring physicians using the Inscribe® Healthcare Referral and Order Management. Authentidate generates recurring revenue from these locations based on transaction volumes, as well as through monthly subscriptions with transaction minimums. Without Inscribe®, Authentidate estimates that the average cost to obtain a signature on a healthcare document is roughly \$10 to \$12, versus only \$2.50 on average per document with Inscribe®. As the platform is web based, there is no hardware or software to purchase. After a one-time setup fee, it is essentially a “pay-as-you-go” model.

Figure 3 illustrates two scenarios where the implementation of the Inscribe® Referral and Order Management is anticipated to help reduce both administrative and personnel costs.

Figure 3
Authentidate Holding Corp.
INSCRIBE® COST SAVINGS



Source: Authentidate Holding Corp.

Going forward, Authentidate believes that the timing and prospects for its solutions are favorable, particularly due to the current emphasis on healthcare reform and industry trends toward reducing costs, shortening hospital stays, and automating healthcare records.

Integration with Existing Systems

Inscribe® Healthcare solutions can be integrated with customers’ existing electronic medical records and practice management systems, with the intent of streamlining processes and reducing errors. For example, the Visiting Nursing Association of Western New York (VNA of WNY), part of the Kaleida Health System, has integrated Inscribe® with their McKesson clinical management system as well as Fastrack billing system used in home infusion, home medical equipment, and enteral nutrition business operations.

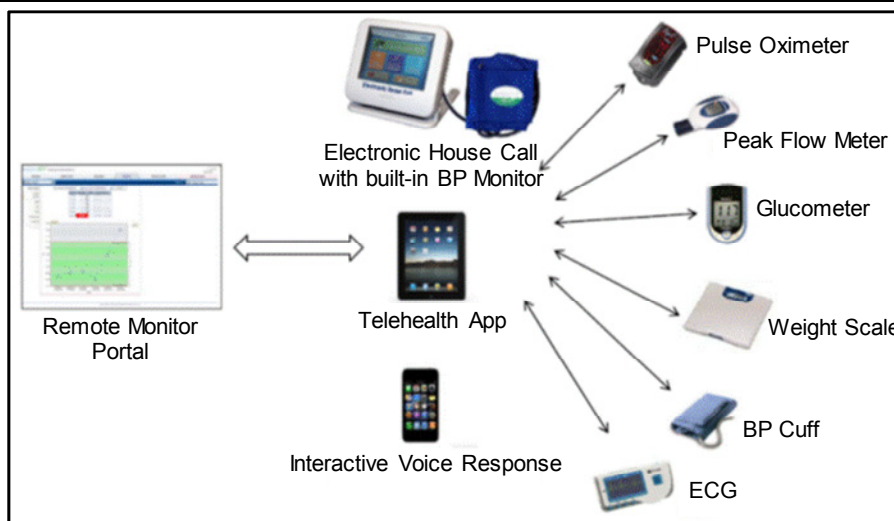
As well, the creation of interfaces between Inscribe® and third-party systems not only simplifies the implementation of the Company’s products but can also drive sales.

Telehealth (Remote Patient Monitoring) Solutions

ExpressMD™ Solutions, formerly a joint venture between Authentidate and EncounterCare Solutions, Inc., provides in-home patient vital signs monitoring systems and services that enable caregivers to securely yet remotely monitor patients via the Internet. The ExpressMD™ solution encompasses Electronic House Call™ ([EHC] an FDA 510(k)-cleared in-home patient vital signs monitoring system), Interactive Voice Response for phone-entered results, and a web application based on the Inscribe® platform that can be accessed by a practitioner via the Internet or through a mobile device (as depicted in Figure 4).

In November 2011, ExpressMD™ became a wholly owned subsidiary of Authentidate per an agreement with EncounterCare whereby EncounterCare transferred its ownership interest in the venture to Authentidate. Authentidate retains a worldwide, perpetual, irrevocable, royalty-free, non-transferable (except as defined), non-exclusive license to use the intellectual property to continue to commercialize and develop the EHC remote patient monitoring device and related software sold by ExpressMD™ and to develop improvements and other products based on such intellectual property.

Figure 4
Authentidate Holding Corp.
COMPLETE TELEHEALTH SOLUTIONS

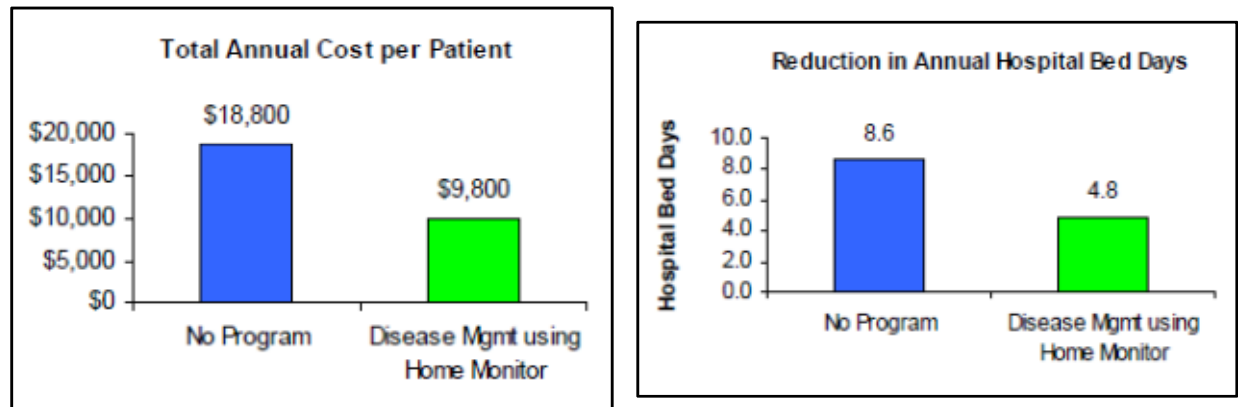


Source: Authentidate Holding Corp.

Authentidate’s remote monitoring solutions can be used for a group of patients, such as at a clinic or school, or individually via an easy-to-use, in-home, touchscreen device that provides scheduled care plan reminders and allows patients to enter their own vital signs. Using the EHC, Interactive Voice Response, or kiosk solution for patients enables clinicians to monitor patients’ vital signs and gather additional pertinent health information via the Internet using the web-based patient monitoring application. These tools allow clinicians to reduce and/or supplement in-person patient visits. The secure web-based application also allows healthcare providers to use the Company’s solutions to adjust patients’ care plans, medication reminders, and related information while providing disease-specific education to patients in real time.

Through ExpressMD™, Authentidate is working to improve care for patients with chronic illnesses, such as congestive heart failure (CHF), chronic obstructive pulmonary disease (COPD), diabetes, and sleep apnea. An estimated 5.3 million people in the U.S. have heart failure (which is just one of many chronic conditions where telehealth solutions may improve long-term patient care), resulting in direct and indirect costs of \$34.8 billion as of 2008 (Source: American Heart Association). By focusing on preventative care, telehealth solutions offer many benefits, including reducing hospital readmissions and cost of care, as depicted in Figure 5 (page 11).

Figure 5
Authentidate Holding Corp.
REDUCED CHF PATIENT CARE COSTS WITH TELEHEALTH



Source: Authentidate Holding Corp.

Based on a study published in the *American Heart Journal*, Authentidate believes that it costs 48% less to care for a patient using home monitoring. To that extent, Figure 5 highlights an approximately \$9,000 per patient per year cost decrease when using a home monitor for disease management. Additionally, Massachusetts General Hospital has found that hospital readmissions are reduced by between 18% and 31% when there is remote monitoring intervention.

Market Adoption of Authentidate's Telehealth Services

Authentidate estimates that the U.S. in-home patient monitoring telehealth market may range between \$4 billion and \$7 billion by 2013. The average user cost per month per patient for the Company's solution is approximately \$130 to \$150. To the Company's knowledge, the U.S. Department of Veterans Affairs (VA) is among the largest users of domestic remote patient monitoring globally. In April 2011, Authentidate received a contract from the VA, under which it may market the EHC and Interactive Voice Response system to VA facilities throughout the U.S. The Company was selected as one of six national suppliers for the VA's Telehealth Program and as one of two national suppliers of the Interactive Voice Response solution. The five-year VA contract includes a one-year base period and four one-year renewal options. Authentidate estimates that the contract, which has no minimum purchase requirement, could have a maximum potential value of up to \$122 million during the contract period, including the renewal periods, depending on the number of units actually purchased by VA facilities.

In February 2012, Authentidate provided updates with regard to its VA project. The Company has deployed infrastructure at the primary project site in Austin, Texas, and has received a security clearance to operate. Authentidate has also completed the training and test-in phase of the project in three of the four regions designated by the VA and is scheduled to complete the fourth location in February 2012. The Company has taken initial product orders for these locations and believes it is moving closer to the growth phase of the project. Authentidate continues to work with project directors and purchasing coordinators at the VA to move the project forward as quickly as possible and has placed orders to manufacture additional product to support the VA as well as other growth opportunities in this market.

Additionally, in June 2011, the University of Utah selected Authentidate's EHC services for the Utah Telehealth Network ([UTN] www.utahtelehealth.net) Utah Remote Monitoring Project, "Improving Healthcare One Patient at a Time." The UTN connects hospitals, clinics, and health departments. The Remote Monitoring pilot project seeks to establish a centralized care coordinator, four clinics, and two locations for kiosk-based systems, which each have the capability to provide concurrent monitoring of between 15 and 30 patients. To implement the project, the UTN requires Authentidate's EHC remote monitoring devices, remote monitoring kiosk devices, and Interactive Voice Response system.

The global telehealth market is growing due to an aging population and the need to manage rising healthcare costs, among other factors. The use of remote monitoring to track vital signs in patients with chronic diseases could reduce U.S. healthcare costs by \$197 billion over the next 25 years (Source: *Vital Signs via Broadband: Remote Health Monitoring Transmits Savings, Enhances Lives* 2008).

Authentidate's Customers

During 2011 and early 2012 to date, Authentidate has added multiple new projects for its Inscribe® Healthcare Referral and Order Management solution as well as its ExpressMD™ EHC telehealth solutions, including Meadville Medical Center, the University of Utah, KC's Home Health Care, Inc., WNC Health Network, Inc., Medical Plus Supplies, Superior Oxygen & Medical Equipment, Ameri-Quipt of NC, Inc., the U.S. Department of Veterans Affairs (VA), Ritecare Medical Products, Kennedy Health System, the Visiting Nursing Association of Western New York (VNA of WNY), Chicago VNA, Inc., Lehigh Valley Respiratory Care, Primary Wound Care, and a telehealth distribution agreement with Rotech Healthcare Inc. The Company also announced a national reseller agreement with SHI International Corp. and a group purchasing program agreement with Premier healthcare alliance to expand its sales channels. Figure 6 illustrates a selection of the Company's customers, noting that this is not an exhaustive listing, as Authentidate continues to experience new interest in its products and services.

Authentidate plans to capitalize on relationships with companies and physicians who use ExpressMD™ to create additional market demand for its Inscribe® platform. By integrating Inscribe® with EHC and other telehealth services, physicians are able to access additional features, such as verification of physician and practitioner credentials, and to review, update, and electronically sign medical documentation. This allows healthcare providers to improve the post acute continuum of care for patients. It also enables physicians to document the time spent monitoring and following up on the data transmitted, facilitating billing and reducing the potential for an audit.

Figure 6

Authentidate Holding Corp.

A SELECTION OF AUTHENTIDATE'S CUSTOMERS AND USERS



Source: Authentidate Holding Corp.

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 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. ExpressMD™ Solutions was formed in June 2008 as a 50/50 joint venture with EncounterCare Solutions, Inc., and became a wholly owned subsidiary of Authentidate in November 2011.

In April 2011, Authentidate completed the sale of all of the outstanding shares of its wholly owned subsidiary, Authentidate International AG—which develops and sells software solutions (e.g., electronic signature and time stamping capabilities) for European and international customers. The subsidiary was transferred to Switzerland-based exeect Group AG for net proceeds of roughly \$1.3 million. In addition to the outstanding shares, exeect acquired certain claims regarding Authentidate’s interest in Authentidate International, and assumed Authentidate International’s net liabilities. Authentidate believes that the sale of its German subsidiary enables the Company to focus its efforts on growth opportunities related to its Inscribe® Healthcare Referral and Order Management, Inscribe® Hospital Discharge, and ExpressMD™ products and services.

Authentidate is traded on the NASDAQ stock exchange under the ticker symbol “ADAT.” The Company’s executive offices are located in Berkeley Heights, New Jersey. At December 31, 2011, Authentidate employed 38 full-time employees throughout its operations, including senior management.

Key Points to Consider

- Authentidate provides secure web-based software applications and telehealth products and services that are delivered as Software as a Service (SaaS) to homecare companies, health systems, physician groups, and government organizations, among other entities.
- Authentidate's offerings help automate workflows, reduce paper-based processes, improve the accessibility of information, and enhance patient care. The combination of these functionalities could improve productivity, internal controls, compliance, and patient outcomes, ultimately leading to revenue growth, cost reduction, and increased profitability.
 - According to a report published in the *New England Journal of Medicine*, 31% of all U.S. healthcare costs are related to paperwork, which Authentidate estimates translates into over \$600 billion in annual spending with potential to reach \$1.3 trillion by 2017.
- The global telehealth market is expanding due to an aging population and rising healthcare costs, among other factors. In the U.S., in-home patient monitoring may be \$4 billion to \$7 billion by 2013.
- The Company believes the timing and prospects for its solutions are favorable, given the current emphasis on healthcare reform and trends in the U.S. healthcare industry to reduce costs, shorten hospital stays, reduce hospital readmissions, shift patient care toward wellness and preventive care programs, and automate healthcare records and processes.
- Inscribe® Hospital Discharge is a secure web-based software service that is designed to simplify and speed the patient discharge process. It automates the entire discharge process, improves facility utilization by optimizing patient length-of-stay and bed turnover, and is believed to function more efficiently and cost effectively than current discharge practices. Combined with Inscribe® Healthcare Referral and Order Management and remote patient monitoring devices, Authentidate seeks to provide an integrated post acute continuum of care solution for healthcare providers.
- Inscribe® Healthcare Referral and Order Management is a web-based health information exchange and workflow automation system that enables healthcare industry participants to securely exchange and track documents over different modes of communication. The system incorporates electronic signatures, content authentication, and workflow intelligence, and complies with HIPAA guidelines.
- Authentidate also provides Electronic House Call™ (EHC) among other telehealth services that enable caregivers to remotely monitor patients' vital signs. EHC has received 510(k) clearance from the FDA, and the Company has entered into a number of agreements to implement the telehealth solution for homecare companies, as well as the University of Utah and the U.S. Department of Veterans Affairs (VA), one of the largest users of domestic remote patient monitoring.
 - The five-year VA contract includes a one-year base period and four one-year renewal options, with a value of up to \$122 million. As of February 2012, the Company reported it was completing the training and test-in phase of the project and moving closer to the contract's growth phase.
- Authentidate has one issued U.S. patent and has been granted a license to an issued U.S. patent and a pending patent application by Authentidate International AG, its former German subsidiary. Some of the technology embodied in the Company's current products cannot be patented. In connection with the termination of a joint venture, the Company's former joint venture partner and an affiliate licensed to Authentidate certain intellectual property assets to enable it to continue to commercialize and develop the ExpressMD™ remote patient monitoring products and services.
- The Company has registered the trademarks "Authentidate," "Inscribe," and "Inscribe Office" in the U.S.; "Authentidate" in Canada, Mexico, and the European Community; "Inscribe" in the European Community and Canada; "Inscribe Office," and a number of other trademarks as Madrid Protocol international registrations; and has a trademark application for "AuthentiProof."
- At December 31, 2011, Authentidate held cash, cash equivalents, and marketable securities of approximately \$2.1 million and working capital for continuing operations of nearly \$4.2 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 the Company 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 the Company. 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 December 6, 2010, and located on Crystal Research Associates' website at www.crystalra.com for more comprehensive details of Authentidate's business. A description of the Company's potential risk factors can be found in Authentidate's Form 10-Q filed with the SEC on February 9, 2012.



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Some of the information in this report relates to future events or future business and financial performance. Such statements constitute forward-looking information within the meaning of the Private Securities Litigation Act of 1995. Such statements can be only predictions and the actual events or results may differ from those discussed due to, among other things, the risks described in Authentidate's reports on Forms 10-K, 10-Q, 8-K, and other forms filed from time to time. The content of this report with respect to Authentidate has been compiled primarily from information available to the public released by the Company through news releases and U.S. Securities and Exchange Commission (SEC) filings. Authentidate is solely responsible for the accuracy of that information. Information as to other companies has been prepared from publicly available information and has not been independently verified by Authentidate or CRA. For more complete information about Authentidate, the reader is directed to the Company's website at www.authentidate.com. This report is published solely for information purposes and is not to be construed as an offer to sell or the solicitation of an offer to buy any security in any state. Past performance does not guarantee future performance. Additional information about Authentidate and its public filings, as well as copies of this report, can be obtained in either a paper or electronic format by calling (908) 787-1700.