

PERFECTDATA CORP

Form PRE 14A

July 20, 2005

Proxy Statement Pursuant to Section 14(a) of the
Securities Exchange Act of 1934

Filed by the Registrant

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PERFECTDATA CORPORATION

(Name of Registrant as Specified in Its
Charter)

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Payment of Filing Fee (Check the
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No Fee required

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(1) Title of each class of
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(2) Aggregate number of
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(3) Per unit price or other
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Rule 0-11 (Set forth the
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(1) Amount Previously Paid:

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No.:

(3) Filing Party:

(4) Date filed:

PERFECTDATA CORPORATON

Notice of Annual Meeting of Stockholders
To Be Held On Wednesday, August 31, 2005 at 10:00 A.M.

TO THE STOCKHOLDERS OF PERFECTDATA CORPORATION:

NOTICE IS HEREBY GIVEN that the Annual Meeting of Stockholders of PerfectData Corporation will be held at 825 Third Avenue, 32nd Floor, New York, New York 10022, on Wednesday, August 31, 2005 at 10:00 A.M., Eastern Time, for the following purposes:

1. To elect directors.
2. To consider and approve the Amended and Restated Stock Option Plan of 2000 of PerfectData Corporation.
3. To approve an amendment to our Certificate of Incorporation that would change our name to "Sona Mobile Holdings Corp."
4. To approve an amendment to our Certificate of Incorporation that would increase the number of shares of our authorized shares of common stock to 90,000,000.
5. To grant to our board of directors discretionary authority to amend our Certificate of Incorporation to effect a reverse stock split of our common stock at a ratio within the range from one-for-three to one-for-five at any time prior to December 31, 2005.

6. To transact such other business as may properly be brought before the meeting or any adjournment or postponements thereof.

[CONTINUED ON THE FOLLOWING PAGE]

The Board of Directors has fixed the close of business on July 29, 2005 as the record date for the determination of the stockholders entitled to notice of and to vote at this meeting and at any adjournment or postponements thereof.

BY ORDER OF THE BOARD OF DIRECTORS

Nicholas H. Glinsman, Secretary

Dated: New York, New York

August , 2005

IMPORTANT:

Whether or not you expect to attend in person, please complete, sign, date and return the enclosed Proxy at your earliest convenience. This will ensure the presence of a quorum at the meeting. **Promptly signing, dating and returning the Proxy will save PerfectData the expense and extra work of additional solicitation.** An addressed envelope for which no postage is required has been enclosed for that purpose. Sending in your Proxy will not prevent you from voting your stock at the meeting if you desire to do so, as your Proxy is revocable at your option. If your stock is held through a broker, bank or a nominee and you wish to vote at the meeting you will need to obtain a proxy form from your broker, bank or a nominee and present it at the meeting.

PERFECTDATA CORPORATION

PROXY STATEMENT

FOR ANNUAL MEETING OF STOCKHOLDERS

To Be Held on Wednesday, August 31, 2005

This Proxy Statement is furnished to the stockholders of PerfectData Corporation, a Delaware corporation, in connection with the solicitation by the Board of Directors (the "Board") of proxies to be used at the our 2005 Annual Meeting of Stockholders to be held at 825 Third Avenue, 32nd Floor, New York, New York 10022, on Wednesday, August 31, 2005 at 10:00 A.M., Eastern Time, and at any adjournments thereof (the "Annual Meeting"). The approximate date on which this Statement and the accompanying proxy will be mailed to stockholders is August , 2005.

THE VOTING & VOTE REQUIRED

Record Date and Quorum

Only stockholders of record at the close of business on July 29, 2005 (the "Record Date"), are entitled to notice of and vote at the Annual Meeting. On the Record Date, there were (i) 6,584,530 shares of our common stock, par value \$.01 per share ("Common Stock"), issued and outstanding, each of which is entitled to one vote; (ii) 568,140 shares of our Series A Convertible Preferred Stock, par value \$.01 per share (the "Series A Preferred Stock"), issued and outstanding, each entitled to 48.11159 votes per share for a total of 27,334,120 votes; and (iii) 3,848.7 shares of our Series B Convertible Preferred Stock, par value \$.01 per share (the "Series B Preferred Stock"), issued and outstanding, each entitled to 1,000 votes per share for a total of 3,848,700 votes. In the aggregate, there are 37,767,350 votes.

Shares represented by each properly executed, unrevoked proxy received in time for the meeting will be voted as specified. Shares of Common Stock, Series A Preferred Stock and Series B Preferred Stock were the only voting securities outstanding on the Record Date. A quorum will be present at the Annual Meeting if shares of the Common Stock, Series A Preferred Stock and Series B Preferred Stock outstanding on the Record Date representing a majority of the total number of votes are present at the meeting in person or by proxy.

Voting of Proxies

The persons acting as proxies (the "Proxyholders") pursuant to the enclosed proxy will vote the shares represented as directed in the signed proxy. Unless otherwise directed in the proxy, the Proxyholders will vote the shares represented by the proxy for: (i) the election of the director nominees named in this Proxy Statement; (ii) approval of the adoption of the Amended and Restated Stock Option Plan of 2000 of PerfectData Corporation expanding the types of incentive compensation awards programs available and increasing the number of shares reserved under the plan to 5,000,000; (iii) approval of the charter amendment changing the name of the company to "Sona Mobile Holdings Corp."; (iv) approval of the charter amendment increasing the number of shares of Common Stock to 90,000,000; (v) the grant to our board of directors discretionary authority to amend our Certificate of Incorporation to effect a reverse stock split of our common stock at a ratio within the range from one-for-three to one-for-five at any time prior to December 31, 2005; and (vi) in their discretion, on any other business that may come before the meeting or any adjournments or postponements of the meeting.

All votes will be tabulated by the inspector of election appointed for the Annual Meeting, who will separately tabulate affirmative and negative votes, abstentions and broker non-votes. Under our bylaws and Delaware law: (1) shares represented by proxies that reflect abstentions or "broker non-votes" (i.e., shares held by a broker or nominee that are represented at the meeting, but with respect to which such broker or nominee is not empowered to vote on a particular proposal) will be counted as shares that are present and entitled to vote for purposes of determining the presence of a quorum; (2) there is no

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cumulative voting, and the director nominees receiving the highest number of votes, up to the number of directors to be elected, are elected and, accordingly, abstentions, broker non-votes and withholding of authority to vote will not affect the election of directors; and (3) proxies that reflect abstentions or non-votes will be treated as unvoted for purposes of determining approval of that proposal and will not be counted as votes for or against that proposal.

Voting Requirements

Election of Directors. The election of directors requires a plurality of the votes cast for the election of directors. Accordingly, the directorships to be filled at the Annual Meeting will be filled by the nominees receiving the highest number of votes. In the election of directors, votes may be cast in favor of or withheld with respect to any or all nominees. Votes that are withheld will be excluded entirely from the vote and will have no effect on the outcome of the vote.

Charter Amendments. The affirmative vote of a majority of the aggregate number of votes represented by the Common Stock, Series A Preferred Stock and Series B Preferred Stock entitled to vote and voting together as a single class at the Annual Meeting is required to approve the amendments to our Certificate of Incorporation to change our name, increase the number of authorized shares of Common Stock and effectuate a reverse split. An abstention from voting or broker non-votes on this matter will be treated as "present" for quorum purposes. An abstention or a broker non-vote is not treated as a "vote" for or against the matter however, it will have the effect of a vote against that matter.

Approval of Amended and Restated Stock Option Plan. The affirmative vote of a majority of the votes cast for or against the matter by stockholders entitled to vote at the Annual Meeting is required to approve the Amended and Restated Stock Option Plan of 2000. An abstention from voting on this matter will be treated as "present" for quorum purposes. However, since an abstention is not treated as a "vote" for or against the matter, it will have no effect on the outcome of the vote.

Except as set forth below, each person who has served as a director or as an executive officer of PerfectData since April 1, 2004 (the beginning of our last fiscal year) and each person nominated by the Board for election as a director at the Annual Meeting, all of whom are currently serving as directors, has no substantial interest, direct or indirect, by security holdings or otherwise, in any of the proposals submitted to a vote at the Annual Meeting other than if he is a nominee for election as a director, that he has an interest in being elected as a director. Notwithstanding the foregoing, each of Shawn Kreloff, John Bush and Nicholas Glinsman, all of whom are currently officers and directors of the company, and Frank Fanzilli, who is a director of the company, and all of whom are also nominees for director at the Annual Meeting, are holders of our Series A Preferred Stock. The proposal to amend our Certificate of Incorporation to increase the number of our authorized shares of Common Stock would allow them to convert the Series A Preferred Stock into shares of Common Stock along with the other holders of the Series A Preferred Stock.

Expenses of Solicitation

We will bear the entire cost of this proxy solicitation, including the preparation, printing and mailing of the Proxy Statement, the proxy and any additional soliciting materials sent by us to stockholders. In addition, we may reimburse brokerage firms and other persons representing beneficial owners of shares for reasonable expenses incurred by them in forwarding proxy soliciting materials to such beneficial owners. Proxies may also be solicited by certain of our directors, officers and employees, without additional compensation, personally or by telephone.

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PROPOSAL 1

ELECTION OF DIRECTORS AND MANAGEMENT INFORMATION

The Board presently consists of 6 members. Directors serve for a one-year term or until their successors are duly elected and qualified.

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At the Annual Meeting, shareholders will be asked to elect six directors to serve until the annual meeting of stockholders in 2006 and until each director's successor is elected and qualified. The Board has nominated the following persons for election as the directors:

John Bush	Shawn Kreloff
Frank J. Fanzilli, Jr.	Bryan Maizlish
Nicholas H. Glinsman	Paul McAleese

All of the director-nominees are currently serving as directors. Mr. Maizlish has been a director since March 2000. Messrs. Kreloff, Bush and Glinsman had been directors of Sona Mobile, Inc., a Washington corporation ("Old Sona"), which merged with and into our wholly-owned subsidiary, PerfectData Acquisition Corporation (the "Merger") on April 19, 2005. In connection with that transaction, four of our five directors at the time – Harris Shapiro, Corey Schlossman, Timothy Morgan and Tracie Savage – resigned and the sole remaining director – Mr. Maizlish – appointed Messrs. Kreloff, Bush and Glinsman to the Board. Messrs. Fanzilli and McAleese were appointed to the Board in July 2005. Messrs. Fanzilli, Maizlish and McAleese are "independent" under Nasdaq rules.

The table below sets forth certain information as of the Record Date concerning the nominees for election as our directors. The information as to age has been furnished to us by the individual named. For information as to the shares of Common Stock beneficially owned by each nominee, see the table under the caption "Security Ownership of Certain Beneficial Holders and Management" elsewhere in this proxy statement.

Name of Nominee	Age	Year First Elected/Appointed	Position and Offices with the Company
Shawn Kreloff	42	2005	Director and Chairman
John Bush	41	2005	Director and Chief Executive Officer and President
Nicholas H. Glinsman	45	2005	Director, Secretary and Interim Chief Financial Officer
Bryan Maizlish	43	2000	Director
Frank J. Fanzilli, Jr. (1)	48	2005	Director
Paul McAleese (1)	40	2005	Director

(1)Member of the Audit Committee and Compensation and Nominating Committees.

Shawn Kreloff, 42, has been a director and our Chairman since April 19, 2005, the date we acquired Sona Mobile, Inc. ("Sona") through a reverse merger transaction. From September 2004 until April 19, 2005 he was was a director and the Chairman of Sona. Mr. Kreloff was a founding investor of Insight First, a company that provides analytics software, which was sold to 24/7 Media (Nasdaq: TFSM) in 2003. He was also a founding investor, as well as executive vice president of business development, of Opus360 Corporation, which was acquired by Artemis International Solutions (OTC: AMSI) in 2002. He was a founder of Gray Peak Technologies, Inc., a network consulting firm that provided high end consulting to telecom, financial and other Fortune 1,000 companies, and served as its Chairman and Chief Executive Officer until it was sold to USWeb (Nasdaq: USWB) in 1998 for over \$100 million. From September 2002 to 2003, Mr. Kreloff was executive vice president of sales, marketing and business development of Predictive Systems, Corp., a network infrastructure and security consulting company. Mr. Kreloff is a member of the board of directors and, since September 2004, of the board of directors of Secured Services, Inc., (OTCBB: SSVC.OB). Mr. Kreloff served on the board of directors of Hudson Williams, a computer consulting firm, from 1999 through 2004 when it was acquired by Keynote Systems. (Nasdaq NM: KEYN).

John Bush, 41, has been a director and our President since April 19, 2005. He was a director of Sona and its President and Chief Executive Officer from December 2003 until April 19, 2005. He has been a senior telecommunications and technology executive for over 17 years. From November 2001 through December 2003, he was self-employed and a private investor. From December 1998 through December 2001, he was Vice President – Enterprise Marketing for Sprint Canada.

Nicholas H. Glinsman, 45, has been a director and our Secretary since April 19, 2005. In addition, as of June 1, 2005 he has been our Interim Chief Financial Officer, replacing our former Chief Financial Officer who retired as of May 31, 2005. From September 2004 until April 19, 2005 he was a member of the board of directors of Sona. Mr. Glinsman has over 17 years of experience in the financial services industry. Since 2000 Mr. Glinsman has been the Chief Executive Officer of 1 EZcall, LLC, a private investment fund. Since 2001 Mr. Glinsman has been a member of the board of directors of Braven Capital and Mirebella Funds Services, which are also private investment funds. Prior to 2001, he held various senior management positions at Salomon Brothers, Inc. and Merrill Lynch, Pierce & Smith, Inc., including manager of the future sales group for Europe and the Middle East. He also represented the trading floor on the bank's European technology committee.

Bryan Maizlish, 43, has been a director since March 31, 2000. Mr. Maizlish joined Lockheed Martin Corporation in August 2000 and has held various managerial positions since then. He is currently serving as the Chief Technology Officer – Program Team in the Integrated Systems and Solutions Division at Lockheed Martin Corporation. From January 1998 to August 2000, he was employed by Magnet Interactive Inc., a private Internet professional services company and its affiliate Noor Group Ltd., a full service Internet solutions and infrastructure provider offering a full range of services from networking, hosting, and Internet service provision to web-based services and entertainment based in Cairo, Egypt, his last position at both companies being Executive Vice President, Chief Strategy Officer and Chief Financial Officer. Prior thereto, he held various managerial and consulting positions for over a decade in the new media and entertainment industries, such as MCA Inc., Gulf Western Corporation and Gene Roddenberry's Norway Corporation.

Frank J. Fanzilli, Jr., 48, is a private investor and has been an independent business consultant since June 2002. From 1985 through June 2002 Mr. Fanzilli was employed at Credit Suisse First Boston. In 1996 he was named Managing Director and the Global Chief Information Officer of the bank. In that capacity he was responsible for the firm's world-wide information technology infrastructure, operations and applications. Mr. Fanzilli is also a director of InterWoven Inc. (Nasdaq NM: IWOV). He is also a director of Open Source Development Labs, a no-profit organization dedicated to promoting open source. Mr. Fanzilli received a BS in Management from Fairfield University and MBA in Finance from the New York University Stern School of Business.

Paul McAleese, 40, was the Chief Marketing Officer for Cincinnati Bell Inc. from January 2004 through July 2005. In that role he was responsible for overseeing the strategic operations for Cincinnati Bell's four principal product groups – local, long distance, wireless and Internet services. From June 1998 through December 2003, Mr. McAleese was a Managing Director of mm02 plc's consumer business. mm02 is one of the largest European wireless providers, claiming to have more than 22 million customers. Mr. McAleese currently serves as a member of the advisory board of Casero Software, a Canadian software company that delivers value-added services to broadband service providers, and to m-Qube, a mobile messaging management technology company located in Boston, Massachusetts.

There are no family relationships among the director nominees or among our executive officers.

The Board of Directors Recommends a Vote FOR the Election of the Foregoing Nominees and Proxies that are Signed and Returned will be so Voted Unless Otherwise Instructed.

* * * * *

Committees and Board Meetings

For the fiscal year ended March 31, 2005, the Board had two standing committees: Audit and Compensation. During the most recent fiscal year, there were seven meetings of the Board, one of which

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was adjourned to a second day. The Audit Committee held four meetings during fiscal 2005, the first to review our Annual Report on Form 10-KSB for the fiscal year ended March 31, 2004, which included our audited financial statement for such fiscal year, and the other meetings to review our quarterly reports on Form 10-QSB for each of the first three quarters of our 2005 fiscal year. On May 24, 2005, the entire Board met with the independent auditors to review our Annual Report on Form 10-KSB for the fiscal year ended March 31, 2005 before it was filed and, based on such meeting, recommended that such report be filed.

The Compensation Committee held no meetings during fiscal 2005.

All directors attended at least 75% of the aggregate number of meetings of the Board of Directors and of all committees of the Board on which that director served during the last full fiscal year.

Identification of Audit Committee

During our most recent fiscal year, which ended March 31, 2005, we had a separately-designated standing Audit Committee. As of March 31, 2005, the members of the Audit Committee were Timothy D. Morgan (Chairman), Bryan Maizlish and Tracie Savage. Mr. Morgan and Ms. Savage resigned as directors on April 19, 2005, the day the Merger was consummated. From that date until July 19, 2005, the Board functioned as the Audit Committee. On July 19, 2005 two new independent directors were appointed to the Board – Frank Fanzilli and Paul McAleese and they were immediately appointed to serve on the Audit Committee with Mr. Fanzilli appointed as Acting Chairman until we can identify an "audit committee financial expert". (See below). Both Mr. Fanzilli and Mr. McAleese satisfy the eligibility requirements imposed by Nasdaq for service on an audit committee of a Nasdaq-listed company. As our Common Stock is only quoted on the Over-the-Counter Bulletin Board, we are not required to comply with the independence rules imposed by Nasdaq. However, we believe that as a matter of good corporate governance it is prudent to comply with those rules. As a result, we have reconstituted our Audit Committee with two independent directors.

Audit Committee Financial Expert

During our most recent fiscal year, the Board determined that Timothy D. Morgan, then Chairman of its Audit Committee, was an "audit committee financial expert" as such term is defined in Item 401(e)(1) of Regulation S-B and that Mr. Morgan was independent pursuant to Item 401(e)(1)(ii) of Regulation S-B. As discussed above, Mr. Morgan resigned from the Board effective April 19, 2005. We have not yet determined whether Mr. Fanzilli or Mr. McAleese qualify as an "audit committee financial expert". Until we make that determination or find someone else who would so qualify, the Audit Committee will operate without an "audit committee financial expert".

Compensation Committee

During our most recent fiscal year and during the current fiscal year until April 19, 2005, Harris A. Shapiro and Corey P. Schlossmann served as members of the Compensation Committee, with Mr. Shapiro serving as the Chairman. The Compensation Committee has the authority to approve the remuneration of our key officers and, if incorporated or acquired, its subsidiaries, review and recommend to the Board changes in our stock benefit and executive, managerial or employee compensatory and benefit plans or programs and administer stock option, restricted stock or similar plans. On April 19, 2005, Messrs. Harris and Schlossman resigned from the Board.

Nominating Committee

Until July 19, 2005, we did not have a standing nominating committee or a committee performing similar functions. Since March 31, 2000 we have been trying to identify a suitable acquisition candidate which, among other matters, would furnish new directors. As a result, the Board did not believe it necessary or appropriate to set up a formal nominating committee nor to adopt a charter for such a committee.

Compensation and Nominating Committee

On July 19, 2005, the Board established a Compensation and Nominating Committee and approved, adopted and ratified the Compensation and Nominating Committee Charter, a copy of which is annexed

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hereto as Appendix II. Mr. Fanzilli and Mr. McAleese were appointed the sole members of the Compensation and Nominating Committee with Mr. McAleese appointed as Chairman.

The function of the Compensation and Nominating Committee is to review and recommend the compensation and benefits, payable to our officers, review general policy matters relating to employee compensation and benefits and administer our various stock option plans and other incentive compensation arrangements. The committee will also identify individuals qualified to become members of the Board and make recommendations to the Board of nominees to be elected by stockholders or to be appointed to fill vacancies on the Board.

In identifying and recommending nominees for positions on the Board, we anticipate that the Compensation and Nominating Committee will consider (i) a candidate's judgment, charter, expertise, skills and knowledge useful to the oversight of our business; (ii) a candidate's business or other relevant experience; and (iii) the extent to which the interplay of the candidate's expertise, skills, knowledge and experience with that of other members of the Board will build a Board that is effective, collegial and responsive to our needs.

The Board expects that Compensation and Nominating Committee will also consider director candidates recommended by stockholders. In considering candidates submitted by stockholders, the committee will take into consideration the needs of the Board and the qualifications of the candidate. To have a candidate considered by the committee, a stockholder should notify our Secretary by written notice delivered to, or mailed to and received at, our principal executive offices not less than thirty (30) days and not more than sixty (60) days prior to the scheduled annual meeting date, regardless of any postponements, deferrals or adjournments of that meeting to a later date. A stockholder's notice to the Secretary shall set forth (i) as to each person whom the stockholder proposes to nominate for election to the Board, all information relating to such person that is required to be disclosed in solicitations of proxies for election of Directors in an election contest, or is otherwise required, in each case pursuant to the Securities

Exchange Act of 1934, as amended, including, without limitation, such person's written consent to being named in the proxy statement as a nominee and to serving as a director if elected; (ii) the name and address of the stockholder making the nomination and any other stockholders known by such stockholder to be supporting such nomination; (iii) the class and number of shares of stock owned by the stockholder on the date of such stockholder's notice and by any other stockholders known by such stockholder to be supporting such nomination on the date of such stockholder's notice and (iv) any financial interest of the stockholder in such nomination.

The Board believes that the minimum qualifications for service as a director are that a nominee possess an ability, as demonstrated by recognized success in his or her field, to make meaningful contributions to the Board's oversight of our business and affairs and an impeccable reputation of integrity and competence in his or her personal or professional activities. The committee's evaluation of potential candidates shall be consistent with the Board's criteria for selecting new directors. Such criteria include an understanding of our business environment and the possession of such knowledge, skills, expertise and diversity of experience so as to enhance the Board's ability to manage and direct our affairs and business, including when applicable, to enhance the ability of committees of the Board to fulfill their duties and/or satisfy any independence requirements imposed by law, regulation or listing requirements. The committee may also receive suggestions from our current Board members, executive officers or other sources, which may be either unsolicited or in response to requests from the committee for such candidates. In addition, the committee may also, from time to time, engage firms that specialize in identifying director candidates.

Once a person has been identified by the committee as a potential candidate, the Compensation and Nominating Committee may collect and review publicly available information regarding the person to assess whether the person should be considered further. If the committee determines that the candidate warrants further consideration, the chairman or another member of the committee may contact the person. Generally, if the person expresses a willingness to be considered and to serve on the Board, the committee may request information from the candidate, review the person's accomplishments and qualifications and may conduct one or more interviews with the candidate. The committee will consider all such information in light of information regarding any other candidates that the committee might be

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evaluating for membership on the Board. In certain instances, the committee members may contact one or more references provided by the candidate or may contact other members of the business community or other persons that may have greater first-hand knowledge of the candidate's accomplishments. The committee's evaluation process does not vary based on whether or not a candidate is recommended by a stockholder.

Communications with Directors

The Board has established a process to receive communications from stockholders. Stockholders and other interested parties may contact any member (or all members) of the Board, or the non-management directors as a group, any Board committee or any chair of any such committee by mail or electronically, at boardofdirectors@sonamobile.com. To communicate with the Board, any individual director or any group or committee of directors, correspondence should be addressed to the Board or any such individual directors or group or committee of directors by either name or title. All such correspondence should be sent to our executive offices at 825 Third Avenue, 32nd Floor, New York, New York 10022 to the attention of the Secretary. All communications received as set forth in the preceding paragraph will be opened by the Secretary for the sole purpose of determining whether the contents represent a message to our directors. Any contents that are not in the nature of advertising, promotions of a product or service, patently offensive material or matters deemed inappropriate for the Board will be forwarded promptly to the

addressee. In the case of communications to the Board or any group or committee of directors, the secretary will make sufficient copies of the contents to send to each director who is a member of the group or committee to which the envelope or e-mail is addressed.

It is our policy that directors are invited and encouraged to attend the Annual Meeting.

Audit Committee Report

The Audit Committee was established to meet with management and our independent accountants to determine the adequacy of internal controls and other financial reporting matters. Until April 19, 2005, the Audit Committee was comprised of three non-employee directors and operated under a written charter (the "Charter") adopted by the Board of Directors on October 15, 2002, a copy of which is attached to this Proxy Statement as Appendix III. As previously discussed, on April 19, 2005 two of the Audit Committee members were among the four directors who resigned. The only remaining member of the Audit Committee is Bryan Maizlish whom the Board has determined is "financially literate as that term is defined under NASD Rule 4200. In light of the fact that since April 19, 2005 there has been only one independent director on the Board, since that date the entire Board has function as the Audit Committee. Accordingly, the Board reviewed our audited financial statements for the year ended March 31, 2005 and met with our chief financial officer to discuss such audited financial statements. The Board discussed with our independent accountants, Singer Lewak Greenbaum & Goldstein, LLP ("SLGG"), the matters required to be discussed pursuant to Statement on Accounting Standards No. 61, as may be modified or supplemented. The Audit Committee has received the written disclosures and the letter from SLGG required by the Independence Standards Board Standard No. 1, as may be modified or supplemented. The Board has discussed with SLGG its independence from the company and its management. SLGG had full and free access to the Audit Committee. Based on its review and discussions, the Board authorized the inclusion of our audited financial statements for the fiscal year ended March 31, 2005 be included in its Annual Report on Form 10-KSB, filed on May 27, 2005.

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EXECUTIVE OFFICERS

The following table sets forth the names, ages and principal position of our executive officers as of the Record Date:

Name	Age	Position
Shawn Kreloff	42	Chairman of the Board and Director
John Bush	41	President, Chief Executive Officer and Director
Nicholas H. Glinsman (1)	44	Secretary, Interim Chief Financial Officer and Director
Lance Yu	35	Senior Vice President – Chief Technology Officer

(1)Mr. Glinsman was appointed Interim Chief Financial Officer as of June 1, 2005 upon the retirement of Irene Marino, our former Chief Financial Officer who retired as of May 31, 2005.

The principal occupation and business experience of Messrs. Kreloff, Bush, Glinsman, Fanzilli and McAleese are discussed above.

Lance Yu, 35, became our Senior Vice President – Chief Technology Officer on April 19, 2005. From November 2004 until April 19, 2005 he was the Senior Vice President – Chief Technology Officer of Sona. From January 2002 through November 2004, he was the Vice President – Technology of Sona Innovations, which was purchased by Sona from Baldhead Systems, a professional services, web design and business consulting organization based in Toronto, Canada, first as a Senior Project Manager and then as Vice President – Technology.

EXECUTIVE COMPENSATION AND TRANSACTIONS WITH DIRECTORS, OFFICERS AND PRINCIPAL HOLDERS

The following table provides certain summary information concerning the compensation earned for services rendered to us in all capacities during each of the last three fiscal years by our Chief Executive Officer as of the end of the last fiscal year ended March 31, 2005. No other executive officer earned in excess of \$100,000:

SUMMARY COMPENSATION TABLE

Name and Principal Position	Annual Compensation		Long-Term Compensation Securities Underlying Options	Other Compensation
	Year	Salary		
Harris A. Shapiro (1)	2005	\$ 71,250	25,000	\$1,750 (2)
Chief Executive Officer and Chairman of the Board	2004	\$ 150,000	—	\$2,500 (2)
	2003	\$ 150,000	35,000	\$2,250 (2)

(1)Mr. Shapiro served as our Chief Executive Officer from September 2000 through April 19, 2005.

(2)Mr. Shapiro was paid cash compensation for his services as a director in accordance with the fee arrangements for directors as described in the subsection captioned "Directors' Compensation".

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**PROPOSAL 2
APPROVAL OF THE AMENDED AND RESTATED STOCK OPTION PLAN
OF 2000 OF PERFECTDATA CORPORATION**

At the annual meeting, stockholders will be asked to approve the Amended and Restated Stock Option Plan of 2000 of PerfectData Corporation (the "Amended and Restated Plan"), a copy of which is attached hereto as Appendix IV, which was approved by the Board of Directors on July 19, 2005. The Amended and Restated Plan amends and restates the Stock Option Plan of 2000 adopted by the Board in May 2000 and approved by the stockholders in October 2000 (the "Original Plan").

History and Background

The Original Plan only provided for the grant of options to our directors, officers, employees and consultants. The maximum number of shares that could be optioned and sold under the Original Plan is 2,000,000 (the "Option Shares"). The Option Shares are registered under the Securities Act of 1933, as amended (the "Securities Act") on

Form S-8, File No. 333-51744. As a result of this registration under the Securities Act, an optionee who is not an "affiliate" may resell the shares of the Common Stock received upon exercise immediately and an optionee who is an "affiliate" (i.e., a director or an executive officer) may resell pursuant to the exemption of Rule 144 under the Securities Act without compliance with any holding period under paragraph (d) of Rule 144. Until now the Original Plan has been administered by the Board. Currently, options covering 249,000 shares of Common Stock are outstanding under the Original Plan. These options will remain in effect under their existing terms whether or not the Amended and restated Plan is approved by stockholders.

Reasons for Stockholder Approval

The Amended and Restated Plan makes the following changes to the Original Plan:

1. The total number of shares of Common Stock reserved for issuance under the Amended and Restated Plan is 5,000,000 compare to 2,000,000 under the Original Plan.
2. In addition to options, the Amended and Restated Plan covers other types of equity incentive compensation awards, including, for example, restricted stock awards and stock appreciation rights.

The Board believes that attracting and retaining executives, other key employees, non-employee directors and other service providers of high quality has been and will continue to be essential to our growth and success. The Board believes that this goal is best achieved with an equity incentive compensation plan that provides it with maximum flexibility. The Amended and Restated Plan will enable us to implement a compensation program with different types of incentives for motivating employees and other leaders of our company and encouraging them to give us long-term, excellent service. In particular, stock options, restricted stock and stock-related-awards are an important element of compensation for employees and directors, because these awards enable such person to acquire or increase their proprietary interest in us, promoting a closer identity of interests between them and our stockholders. Annual incentive awards and other performance-based awards provide rewards for achieving specific performance objectives, such as earnings goals. The ability to grant such awards as compensation under the Amended and Restated Plan will help us to remain competitive, and provide a stronger incentive for each person granted an award to expend his or her maximum efforts for the success of our business. The Board views the Amended and Restated Plan as a key part of our compensation program.

The Board seeks stockholder approval of the Amended and Restated Plan in order to satisfy various legal requirements, including requirements of Nasdaq. In addition, the Board regards stockholder approval of the Amended and Restated Plan as desirable and consistent with corporate governance best practices.

The Board also seeks to preserve our ability to claim tax deductions for compensation paid, to the greatest extent practicable. Section 162(m) of the Internal Revenue Code (the "Code") limits the deductions a publicly held company can claim for compensation in excess of \$1 million in a given year paid to the chief executive officer and the four other most highly compensated executive officers serving on the

last day of the fiscal year (generally referred to as the "named executive officers"). "Performance-based" compensation that meets certain requirements is not counted against the \$1 million deductibility cap, and, therefore, remains fully deductible. We are seeking stockholder approval of the material terms that may be used to determine certain awards under the Amended and Restated Plan, including annual incentive awards, to named executive officers

in order to meet a key requirement for such awards to qualify as "performance-based" under Section 162(m). If the Amended and Restated Plan is approved by stockholders, annual incentive awards granted under the Amended and Restated Plan to named executives generally will be payable only upon achievement of pre-established performance goals relating to the company as a whole or specific business units for which the individual executive has principal responsibility. The Board believes that annual incentive awards have and will continue to provide strong motivation to executives to achieve performance objectives, and in that way place strong emphasis on the building of value for all stockholders.

For purposes of Section 162(m) of the Code, approval of the Amended and Restated Plan will be deemed also to include approval of the eligibility of executive officers and other employees and service providers to participate in the Amended and Restated Plan, the annual per-person limitations described below under the caption "Description of the Amended and Restated Plan — Per-Person Award Limitations," the general business criteria upon which performance objectives for performance awards, including annual incentive awards, are based, described below under the caption "Performance-Based Awards" and "Annual Incentive Awards," and the stock-price appreciation performance goal inherent in stock options and SARs. Because stockholder approval of general business criteria, without specific targeted levels of performance, qualifies incentive awards for a period of approximately five years, stockholder approval of such business criteria will meet the requirements under Section 162(m) until 2010. Stockholder approval of the performance goal inherent in stock options and SARs (increases in the market price of stock) is not subject to a time limit under Section 162(m).

In addition, stockholder approval will permit designated stock options to qualify as incentive stock options under the Code. Such qualification can give the holder of the options more favorable tax treatment, as explained below.

Description of the Amended and Restated Plan

The following is a brief description of the material features of the Amended and Restated Plan. This description is qualified in its entirety by reference to the full text of the Amended and Restated Plan, a copy of which is attached to this Proxy Statement as Appendix IV.

First, under the Amended and Restated Plan, a total of 5,000,000 shares of common stock will be reserved for awards to be granted thereunder. Under the Original Plan, only 2,000,000 shares were reserved.

Second, the Amended and Restated Plan authorizes a broad range of awards, including:

- stock options
- stock appreciation rights ("SARs")
- restricted stock – i.e., a grant of actual shares subject to a risk of forfeiture and restrictions on transfer
- deferred stock – i.e., a contractual commitment to deliver shares at a future date; if such a grant is forfeitable, it may be referred to as "restricted stock units"
- other awards based on Common Stock
- dividend equivalents
- stock-based performance awards, which are in effect deferred stock awards that may be earned by achieving specific performance objective(s)
- cash-based performance awards tied to achievement of specific performance objective(s)
- shares issuable in lieu of rights to cash compensation, including under the Company's elective deferred compensation program

- discounted options pursuant to an employee stock purchase program

If the Amended and Restated Plan is approved by our stockholders, previously authorized awards under the Original Plan would remain in effect.

Shares Available under the Amended and Restated Plan. The number of shares of Common Stock reserved under the Amended and Restated Plan will be 5,000,000 compared to 2,000,000 under the Original Plan. The Board believes that this increase is warranted in light of the increase in the capitalization of the company. Currently, our authorized capital includes 10,000,000 shares of Common Stock, of which approximately 6,600,000 are issued and outstanding. As set forth elsewhere in this Proxy (see Proposal 4 below), shareholders are being asked to approve an amendment to our Certificate of Incorporation that would increase the number of authorized shares of Common Stock to 90,000,000. This increase is necessary in order to accommodate the conversion of our Series A and Series B Convertible Preferred Stock. After taking into the conversion of these classes, we will have approximately 37,800,000 shares of Common Stock issued and outstanding. As was the case under the Original Plan, the number of shares reserved under the Amended and Restated Plan is subject to adjustment in the event of stock splits, stock dividends, and other extraordinary events.

Only the number of shares actually delivered to and retained by participants in connection with an award after all restrictions have lapsed will be counted against the number of shares reserved under the Amended and Restated Plan. Thus, shares will become available again for new awards if an award expires, is forfeited, or is settled in cash, if shares are withheld or separately surrendered to pay the exercise price of an option or to satisfy tax withholding obligations relating to an award, if fewer shares are delivered upon exercise of an SAR than the number to which the SAR related, or if shares that had been issued as restricted stock are forfeited. Shares delivered under the Amended and Restated Plan may be either newly issued or treasury shares.

Per-Person Award Limitations. The Amended and Restated Plan includes limitations on the amount of awards that may be granted to a participant in a given year in order to qualify awards as "performance-based" compensation not subject to the limitation on deductibility under Section 162(m) of the Code. Under this annual per-person limitation, a participant may in any year be granted share-based awards of each type authorized under the Amended and Restated Plan – options, SARs, restricted stock, deferred stock, bonus stock or stock in lieu of other compensation obligations, dividend equivalents, and other stock-based awards — relating to no more than his or her "Annual Limit." The Annual Limit equals 500,000 shares plus the amount of the participant's unused Annual Limit relating to share-based awards as of the close of the previous year, subject to adjustment for splits and other extraordinary corporate events. With respect to incentive awards not valued by reference to Common Stock at the date of grant, the Amended and Restated Plan limits such performance awards that may be earned by a participant to the participant's defined Annual Limit, which for this purpose equals \$500,000 plus the amount of the participant's unused cash Annual Limit as of the close of the previous year. The per person limit on stock-based awards is independent of the limit on cash-denominated performance awards. These limits apply only to awards under the Amended and Restated Plan, and do not limit our ability to enter into compensation arrangements outside of the Amended and Restated Plan.

Adjustments to Shares Reserved, Awards and Award Limits. Adjustments to the number and kind of shares subject to the share limitations and specified in the share-based Annual Limit are authorized in the event of a large, special or non-recurring dividend or distribution, recapitalization, stock split, stock dividend, reorganization, business combination, or other similar corporate transaction or event affecting the Common Stock. Adjustments also will be made to outstanding awards upon occurrence of these events, including to the number of shares subject to an award, any exercise price or share price referenced in the award terms (such as an SAR's base price) and other terms of the award to preserve without enhancing the value of the award. The administrator of the Amended and Restated Plan is also authorized to adjust performance conditions and other terms of awards in response to these kinds of events or to changes in applicable laws, regulations, or accounting principles.

Eligibility. Our executive officers and other officers and employees as well as those of our subsidiaries, our non-employee directors, and any other person who provides substantial services to us or

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our subsidiaries will be eligible to be granted awards under the Amended and Restated Plan. A prospective employee may be granted an award, but no value may be realized under it if such person does not become an employee.

Administration. The Amended and Restated Plan will be administered by the Compensation and Nominating Committee (the "Committee"), except that the Board may itself act in place of the Committee to administer the Amended and Restated Plan and determinations with respect to grants to non-employee directors must be made by the Board. The members of the Committee must be non-employee directors. Subject to the terms and conditions of the Amended and Restated Plan, the Committee is authorized to select participants, determine the type and number of awards to be granted and the number of shares to which awards will relate or the amount of an annual or long-term incentive award, specify times at which awards will be exercisable or settled, including performance conditions that may be required as a condition thereof, set other terms and conditions of such awards, prescribe forms of award agreements, interpret and specify rules and regulations relating to the Amended and Restated Plan, and make all other determinations which may be necessary or advisable for the administration of the Amended and Restated Plan. Nothing in the Amended and Restated Plan precludes the Committee from authorizing payment of other compensation, including bonuses based upon performance, to executive officers and other employees. The Committee is permitted to delegate authority to executive officers for the granting of awards, but action pursuant to delegated authority generally will be limited to grants to employees who are below the executive officer level. The Amended and Restated Plan provides that Committee members shall not be personally liable, and shall be fully indemnified, in connection with any action, determination, or interpretation taken or made in good faith under the Amended and Restated Plan.

Stock Options and SARs. The Committee is authorized to grant stock options, including both incentive stock options ("ISOs"), which can result in potentially favorable tax treatment to the participant, and non-qualified stock options. SARs may also be granted, entitling the participant to receive the excess of the fair market value of a share on the date of exercise over the SAR's designated "base price." ISOs may only be granted through May 2010, the 10-year anniversary of the adoption of the Original Plan. The exercise price of an option and the base price of an SAR are determined by the Committee, but generally may not be less than the fair market value of the shares on the date of grant (except as described below under "Other Terms of Awards"). The maximum term of each option or SAR will be ten years. Subject to this limit, the times at which each option or SAR will be exercisable and provisions requiring forfeiture of unexercised options at or following termination of employment or upon the occurrence of other events generally are fixed by the Committee. Options may be exercised by payment of the exercise price in cash, shares or other property (which may include through broker-assisted cashless exercise procedures) or by surrender of other outstanding awards having a fair market value equal to the exercise price. Methods of exercise and settlement and other terms of SARs will be determined by the Committee. SARs may be exercisable for shares or for cash, as determined by the Committee.

Restricted and Deferred Stock/Restricted Stock Units. The Committee is authorized to grant restricted stock and deferred stock. Prior to the end of the restricted period, shares granted as restricted stock may not be sold, and will be forfeited in the event of termination of employment in specified circumstances. The Committee will establish the length of the restricted period for awards of restricted stock. Aside from the risk of forfeiture and non-transferability, an award of restricted stock entitles the participant to the rights of a stockholder of the Company, including the right to vote the shares and to receive dividends, unless otherwise determined by the Committee.

Deferred stock gives a participant the right to receive shares at the end of a specified deferral period. Deferred stock subject to forfeiture conditions may be denominated as an award of "restricted stock units." The Committee will establish any vesting requirements for deferred stock/restricted stock units granted for continuing services. One advantage of restricted stock units, as compared to restricted stock, is that the period during which the award is deferred as to settlement can be extended past the date the award becomes non-forfeitable, so the Committee can require or permit a participant to continue to hold an interest tied to common stock on a tax-deferred basis. Prior to settlement, deferred stock awards,

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including restricted stock units, carry no voting or dividend rights or other rights associated with stock ownership, but dividend equivalents will be paid or accrue if authorized by the Committee.

Other Stock-Based Awards, Stock Bonus Awards, and Awards in Lieu of Other Obligations. The Amended and Restated Plan authorizes the Committee to grant awards that are denominated or payable in, valued in whole or in part by reference to, or otherwise based on or related to common stock. The Committee will determine the terms and conditions of such awards, including the consideration to be paid to exercise awards in the nature of purchase rights, the periods during which awards will be outstanding, and any forfeiture conditions and restrictions on awards. In addition, the Committee is authorized to grant shares as a bonus free of restrictions, or to grant shares or other awards in lieu of obligations under other plans or compensatory arrangements, subject to such terms as the Committee may specify.

Performance-Based Awards. The Committee may grant performance awards, which may be cash-denominated awards or share-based awards. Generally, performance awards require satisfaction of pre-established performance goals, consisting of one or more business criteria and a targeted performance level with respect to such criteria as a condition of awards being granted or becoming exercisable or settleable, or as a condition to accelerating the timing of such events. Performance may be measured over a period of any length specified by the Committee. If so determined by the Committee, in order to avoid the limitations on tax deductibility under Section 162(m) of the Code, the business criteria used by the Committee in establishing performance goals applicable to performance awards to the named executive officers will be selected from among the following:

- earnings per share (basic or fully diluted);
- revenues;
- earnings, before or after taxes, from operations (generally or specified operations), before or after interest expense, depreciation, amortization, incentives, or extraordinary or special items;
- cash flow; free cash flow, cash flow return on investment (discounted or otherwise), net cash provided by operations, or cash flow in excess of cost of capital;
- return on net assets, return on assets, return on investment, return on capital, return on equity;
- economic value created (representing the amount by which the Company or a business unit's income exceeds the cost of the capital used by the Company or the business unit during the performance period, as determined by the Committee);
- operating margin or operating expense;
- net income;
- stock price or total stockholder return; and
- strategic business criteria, consisting of one or more objectives based on meeting specified market penetration, geographic business expansion goals, cost targets, customer satisfaction,

employee satisfaction, management of employment practices and employee benefits, supervision of litigation and information technology, and goals relating to acquisitions or divestitures of subsidiaries, affiliates or joint ventures.

These goals may be set with fixed, quantitative targets, targets relative to our past performance, or targets compared to the performance of other companies, such as a published or special index or a group of companies selected by the Committee for comparison. The Committee may specify that these performance measures will be determined before payment of bonuses, capital charges, non-recurring or extraordinary income or expense, or other financial and general and administrative expenses for the performance period, if so specified by the Committee.

Annual Incentive Awards. One type of performance award that may be granted under the Amended and Restated Plan is Annual Incentive Awards, payable in cash or in shares upon achievement of pre-established performance objectives achieved during a specified period of up to one year. The Committee generally must establish the terms of annual incentive awards, including the applicable performance goals and the corresponding amounts payable (subject to per-person limits), and other terms

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of settlement, and all other terms of these awards, not later than 90 days after the beginning of the fiscal year. As stated above, annual incentive awards granted to named executives are intended to constitute "performance-based compensation" not subject to the limitation on deductibility under Code Section 162(m). In order for such an annual incentive award to be earned, one or more of the performance objectives described in the preceding paragraph will have to be achieved. The Committee may specify additional requirements for the earning of such awards.

Employee Stock Purchase Program. All of our employees and those of our subsidiaries who have been determined to be eligible by the Committee may participate in the Employee Stock Purchase Plan (the "ESPP"), provided that the Committee has discretion to determine employees eligible to participate, and in exercising such discretion, may exclude those employees who have been employed less than two years, work fewer than 20 hours a week, work fewer than five months in any calendar year or are considered "highly compensated employees" within the meaning of the code. Any employee who would own more than 5% of the voting power of our stock immediately after a grant under the ESPP is not eligible to participate, and no participant may purchase more than \$25,000 worth of Common Stock in any one calendar year, based on the undiscounted value of the Common Stock at the beginning of each offering period. The aggregate number of shares of Common Stock that may be granted as options under the ESPP is determined on an annual basis by the Committee, and the terms and conditions of such options shall be specified in a separate agreement. No option under the ESPP may be exercised after the expiration of 5 years (if the option is granted at an exercise price no less than 85% of the fair market value as of the date of grant) or 27 months. The purchase price of the options underlying the ESPP shall not be less than the lesser of 85% of the fair market value at the time of grant or an amount which under the terms of the option may not be less than 85% of the fair market value of such stock at the time of the exercise of the option.

Other Terms of Awards. Awards may be settled in cash, shares, other awards or other property, in the discretion of the Committee. The Committee may require or permit participants to defer the settlement of all or part of an award, including shares issued upon exercise of an option, in accordance with such terms and conditions as the Committee may establish, including payment or crediting of interest or dividend equivalents on any deferred amounts. The Committee is authorized to place cash, shares or other property in trusts or make other arrangements to provide for payment of our obligations under the Amended and Restated Plan. The Committee may condition awards on the payment of taxes, such as by withholding a portion of the shares or other property to be distributed in order to satisfy tax obligations. Awards granted under the Amended and Restated Plan generally may not be pledged or otherwise

encumbered and are not transferable except by will or by the laws of descent and distribution, or to a designated beneficiary upon the participant's death, except that the Committee may permit transfers of awards other than incentive stock options on a case-by-case basis. This flexibility can allow for estate planning or other limited transfers consistent with the incentive purpose of the Amended and Restated Plan.

The Committee is authorized to impose non-competition, non-solicitation, confidentiality, non-disparagement and other requirements as a condition on the participant's right to retain an award or gains realized by exercise or settlement of an award. Awards under the Amended and Restated Plan may be granted without a requirement that the participant pay consideration in the form of cash or property for the grant (as distinguished from the exercise), except to the extent required by law. The Committee may, however, grant awards in substitution for, exchange for or as a buyout of other awards under the Amended and Restated Plan, awards under other Company plans, or other rights to payment from the Company, and may exchange or buyout outstanding awards for cash or other property. The Committee also may grant awards in addition to and in tandem with other awards, awards, or rights. In granting a new award, the Committee may determine that the in-the-money value of any surrendered award may be applied to reduce the exercise price of any option, base price of any SAR, or purchase price of any other award.

Dividend Equivalents. The Committee may grant dividend equivalents. These are rights to receive payments equal in value to the amount of dividends paid on a specified number of shares of Common Stock while an award is outstanding. These amounts may be in the form of cash or rights to receive additional awards or additional shares of Common Stock having a value equal to the cash amount. The

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awards may be granted on a stand-alone basis or in conjunction with another award. Typically, rights to dividend equivalents are granted in connection with restricted stock units or deferred stock, so that the participant can earn amounts equal to dividends paid on the number of shares covered by the award while the award is outstanding.

Vesting, Forfeitures, and Related Award Terms. The Committee may, in its discretion, determine the vesting schedule of options and other awards, the circumstances that will result in forfeiture of awards, the post-termination exercise periods of options and similar awards, and the events that will result in acceleration of the ability to exercise and the lapse of restrictions, or the expiration of any deferral period, on any award.

Upon a change in control, as defined, unless the Committee limited these rights in the grant agreement, awards will become vested and exercisable and restrictions thereon will lapse, any option that was not vested and exercisable throughout the 50-day period prior to the change in control may be surrendered for a cash payment equal to spread, determined based on the highest market price during that 50-day period prior to or following the change in control or, if higher, the consideration received by shareholders in the change in control transaction. The Committee may also specify in any award agreement that performance conditions will be deemed met upon a change in control.

Amendment and Termination of the Amended and Restated Plan. The Board may amend, suspend, discontinue, or terminate the Amended and Restated Plan or the Committee's authority to grant awards thereunder without stockholder approval, except as required by law or regulation or under the Nasdaq rules. Proposed changes to Nasdaq rules, if adopted, will require stockholder approval of material modifications to plans such as the Amended and Restated Plan. Under these rules, stockholder approval will not necessarily be required for amendments which might increase the cost of the Amended and Restated Plan or broaden eligibility. Unless earlier terminated, the Amended and Restated Plan will terminate at such time that no shares reserved under the Amended and Restated Plan remain available and we have no further obligation with respect to any outstanding award.

Federal Income Tax Implications of the Amended and Restated Plan

We believe that under current law the following Federal income tax consequences generally would arise with respect to awards under the Amended and Restated Plan. The grant of an option or an SAR will create no federal income tax consequences for us or the participant. A participant will not have taxable income upon exercising an option which qualifies as an "Incentive Stock Option" under Section 422 of the Code ("ISO"), except that the alternative minimum tax may apply. Upon exercising an option which is not an ISO, the participant generally must recognize ordinary income equal to the difference between the exercise price and the fair market value of the freely transferable and nonforfeitable shares acquired on the date of exercise. Upon exercising an SAR, the participant must generally recognize ordinary income equal to the cash or the fair market value of the shares received.

Upon a disposition of shares acquired upon exercise of an ISO before the end of the applicable ISO holding periods, the participant must generally recognize ordinary income equal to the lesser of (i) the fair market value of the ISO shares at the date of exercise minus the exercise price or (ii) the amount realized upon the disposition of the ISO shares minus the exercise price. Otherwise, a participant's sale of shares acquired by exercise of an option generally will result in short-term or long-term capital gain or loss measured by the difference between the sale price and the participant's tax "basis" in such shares. The tax "basis" normally is the exercise price plus any amount he or she recognized as ordinary income in connection with the option's exercise. A participant's sale of shares acquired by exercise of an SAR generally will result in short-term or long-term capital gain or loss measured by the difference between the sale price and the tax "basis" in the shares, which generally is the amount he or she recognized as ordinary income in connection with the SAR's exercise.

We normally can claim a tax deduction equal to the amount recognized as ordinary income by a participant in connection with an option or SAR, but no tax deduction relating to a participant's capital gains. Accordingly, we will not be entitled to any tax deduction with respect to an ISO if the participant holds the shares for the applicable ISO holding periods before selling the shares.

With respect to awards other than options and SARs that result in a transfer to the participant of cash or shares or other property, if no restriction on transferability or substantial risk of forfeiture applies to

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the transferred amounts, the participant generally must recognize ordinary income equal to the cash or the fair market value of shares or other property actually received. Thus, for example, if we grant an award of deferred stock or permit the participant to elect to defer receipt of cash or shares under an Amended and Restated Plan award, the participant will defer the time he or she becomes subject to income tax, and our right to claim a tax deduction will be likewise deferred. If a restriction on transferability and substantial risk of forfeiture applies to shares or other property transferred to a participant under an award (such as, for example, restricted stock), the participant generally must recognize ordinary income equal to the fair market value of the transferred amounts at the earliest time either the transferability restriction or risk of forfeiture lapses. In all cases, we can claim a tax deduction in an amount equal to the ordinary income recognized by the participant, except as discussed below. A participant may elect to be taxed at the time of grant of restricted stock or other property rather than upon lapse of restrictions on transferability or the risk of forfeiture, but if the participant subsequently forfeits such shares or property he or she would not be entitled to any tax deduction, including as a capital loss, for the value of the shares or property on which he or she previously paid tax.

As discussed above, compensation that qualifies as "performance-based" compensation is excluded from the \$1 million deductibility cap of Code Section 162(m), and therefore remains fully deductible by the company that pays it. Under the Amended and Restated Plan, options and SARs granted with an exercise price or base price at least equal to 100% of fair market value of the underlying stock at the date of grant, annual incentive awards to employees the Committee expects to be named executive officers at the time compensation is received, and certain other awards which are conditioned upon achievement of performance goals are intended to qualify as such "performance-based" compensation. A number of requirements must be met in order for particular compensation to so qualify, however, so there can be no assurance that such compensation under the Amended and Restated Plan will be fully deductible under all circumstances. In addition, other awards under the Amended and Restated Plan generally will not so qualify, so that compensation paid to certain executives in connection with such awards may, to the extent it and other compensation subject to Code Section 162(m)'s deductibility cap exceed \$1 million in a given year, not be deductible by us as a result of Code Section 162(m).

The ESPP is intended to qualify as an "employee stock purchase plan" under Section 423 of the Code. An employee will not recognize income upon electing to participate in the ESPP or upon purchasing shares under the ESPP. If the employee does not dispose of shares for at least two years from the beginning of the offering period in which the shares were purchased, or in the event of his or her death (whenever occurring), the employee will realize ordinary income upon the disposition (including by sale, gift or death) in an amount equal to the lesser of: (i) the excess of the fair market value of the shares at the time of disposition over their purchase price, or (ii) the excess of the fair market value of the shares on the first day of the offering period over their purchase price. Any additional gain will be taxed as long-term capital gain. If the fair market value of the shares at the time of their disposition is below the purchase price, the employee will not recognize any ordinary income, and any loss will be a long-term capital loss. We will not have a deductible expense as a result of the purchase of stock under the ESPP, unless there is a "disqualifying" disposition, as described in the next paragraph.

If shares purchased under the ESPP are sold by an employee within two years after the beginning of the offering period in which the shares were purchased, then that sale constitutes a "disqualifying" disposition in which the employee will realize (1) ordinary income in an amount equal to the excess of the fair market value of the shares on the date of purchase (i.e., the last day of the offering period) over the purchase price, and (2) a capital gain or loss equal to the difference between (i) the amount received for the shares and (ii) the sum of the purchase price and the amount of ordinary income recognized. If the disqualifying disposition occurs more than one year after the date of purchase, any capital gain or loss will be long-term; otherwise it will be short-term. If an employee recognizes ordinary income as a result of a disqualifying disposition, we will be entitled to a corresponding deduction. To the extent required under the Code and Internal Revenue Service guidance, we will withhold income and employment taxes with respect to purchases and dispositions of shares under the ESPP.

The foregoing provides only a general description of the application of federal income tax laws to certain awards under the Amended and Restated Plan. This discussion is intended for the information of stockholders considering how to vote at the Annual Meeting and not as tax guidance to participants in the

Amended and Restated Plan, as the consequences may vary with the types of awards made, the identity of the recipients and the method of payment or settlement. Different tax rules may apply, including in the case of variations in transactions that are permitted under the Amended and Restated Plan (such as payment of the exercise price of an option by surrender of previously acquired shares). The summary does not address the effects of other federal taxes (including possible "golden parachute" excise taxes) or taxes imposed under state, local, or foreign tax laws.

The Board Of Directors Unanimously Recommends a Vote FOR the Approval of the Amended and Restated Stock Option Plan of 2000 of PerfectData Corporation

* * * * *

Option, Grants, Exercises and Values

The following table provides certain summary information concerning the granting of options during our fiscal year ended March 31, 2005 to our Chief Executive Officer who is the sole executive officer named in the Summary Compensation Table:

OPTION GRANTS IN LAST FISCAL YEAR

Name	Number of Options Granted (#)	% of Total Options Granted to Employees in Fiscal Year	Exercise Price per Share	Expiration Date
Harris A. Shapiro	25,000	71%	\$0.52	6/09/14(1)

(1)On April, 19, 2005, as a result of the consummation of the Merger all outstanding options became immediately exercisable, even if not already exercisable, and their expiration date became April 19, 2008.

The following table provides certain summary information concerning the exercise of options during the 2005 fiscal year and unexercisable options held as of the end of the 2005 fiscal year by the Chief Executive Officer who is the sole executive officer named in the Summary Compensation Table:

AGGREGATED OPTION EXERCISES IN LAST FISCAL YEAR AND FISCAL YEAR END OPTION VALUES

Name	Shares Acquired On Exercise	Value Realized	Number of Unexercised Options Held at Fiscal Year End	Value of Unexercised In-the-Money Options at FY-End (2)	Exercisable	Unexercisable
Harris A. Shapiro	—	\$ —	60,000 (1)	\$6,666		\$ 25,334

(1)As of March 31, 2005, options were exercisable to purchase 23,332 shares.

(2)Value is based upon the market value of the Common Stock as of March 31, 2005, less the exercise price payable per share under such options. An option for 10,000 shares has been excluded because the market value was less than the exercise price.

Employment Agreements

None.

Limitation of Directors' Liability and Indemnification

Our Certificate of Incorporation limits the liability of individual directors for specified breaches of their fiduciary duty. The effect of this provision is to eliminate the liability of directors for monetary damages arising out of their failure, through negligent or grossly negligent conduct, to satisfy their duty

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of care, which requires them to exercise informed business judgment. The liability of directors under the federal securities laws is not affected. A director may be liable for monetary damages only if a claimant can show receipt of financial benefit to which the director is not entitled, intentional infliction of harm on us or on our shareholders, a violation of section 174 of the Delaware General Corporation Law (dealing with unlawful distributions to shareholders effected by vote of directors), and any amended or successor provision thereto, or an intentional violation of criminal law.

Our Certificate of Incorporation also provides that we will indemnify each of our directors or officers, and their heirs, administrators, successors and assigns against any and all expenses, including amounts paid upon judgments, counsel fees, and amounts paid or to be paid in settlement before or after suit is commenced, actually and necessarily incurred by such persons in connection with the defense or settlement of any claim, action, suit or proceeding, in which they, or any of them are made parties, or which may be asserted against them or any of them by reason of being, or having been, directors or officers of the corporation, except in relation to such matters in which such director or officer shall be adjudged to be liable for his own negligence or misconduct in the performance of his duty.

There is no pending litigation or proceeding involving any of our directors, officers, employees or agents in which we are required or permitted to provide indemnification, except as set forth under Certain Relationships and Related Party Transactions. We are also not aware of any threatened litigation or proceedings that may result in a claim for indemnification.

Insofar as indemnification for liabilities arising under the Securities Act of 1933, as amended (the "Securities Act") may be permitted to directors, officers or controlling persons under our Certificate of Incorporation, we have been informed that, in the opinion of the Commission, indemnification is against public policy as expressed in the Securities Act and is unenforceable.

Compensation of Directors

During our 2005 fiscal year, each of the directors then serving was granted a stock option under the Original Plan for 25,000 shares of Common Stock. In addition, each director was eligible to receive \$500.00 for each meeting attended in person, plus reimbursement for out-of-pocket expenses, and \$250.00 for each meeting attended telephonically.

On July 19, 2005, the Board adopted a new compensation plan for directors. Under that plan, each non-employee director will, immediately upon his or her election or appointment to the Board, receive 40,000 shares of Common Stock, of which 20,000 shares will vest immediately and 20,000 will vest on the first anniversary of his or her election to the Board. If the director leaves the Board for any reason, voluntarily or involuntarily, before the first anniversary of his or her election to the Board, he or she will forfeit any unvested shares. In addition, each non-employee director will receive an annual director's fee of \$5,000 and an option to purchase 5,000 shares of Common Stock, which option

will become exercisable in equal quarterly installments and \$250.00, plus reimbursement for actual out-of-pocket expenses, for each Board meeting attended in person and \$125.00 for each Board meeting attended telephonically.

The Chairmen of the Audit Committee and the Compensation and Nominating Committee will also receive an annual fee of \$1,000, payable in equal quarterly installments. Each member of the Audit Committee and the Compensation and Nominating Committee will receive \$250.00, plus reimbursement for actual out-of-pocket expenses, for each committee meeting attended in person and \$125.00 for each committee meeting attended telephonically, unless the committee meeting immediately precedes or follows a Board meeting, in which event the committee members will receive \$150.00, for attending the committee meeting in person and \$75.00 if they attend the committee meeting telephonically.

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Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters

The following table sets forth, as of the Record Date, certain information regarding the beneficial ownership of our Common Stock by the following:

- each person, or group of affiliated persons, known by us to be the beneficial owner of more than 5% of our outstanding Common Stock;
- each of our directors and director nominees;
- each executive officer named in the Summary Compensation Table above; and
- all of our directors and executive officers as a group.

Except as otherwise indicated, the persons listed below have sole voting and investment power with respect to all of the Common Stock owned by them. The individual shareholders have furnished all information concerning their respective beneficial ownership to us.

Name and Address of Beneficial Owner	Without Additional Shares		With Additional Shares(2)	
	Number of Shares of Common Stock Beneficially Owned	Percentage of Common Stock Beneficially Owned(1)	Number of Shares of Common Stock Beneficially Owned	Percentage of Shares of Common Stock Beneficially Owned
Shawn Kreloff(3) c/o Sona Mobile, Inc. 825 Third Avenue, 32 nd Floor New York, NY 10022	2,879,911	7.6%	4,143,030	8.4%
John Bush(4) c/o Sona Mobile, Inc. 825 Third Avenue, 32 nd Floor New York, NY 10022	6,233,554(5)	16.5%	8,967,568(5)	18.2%
Nicholas H. Glinsman(6) c/o Sona Mobile, Inc.	2,405,579	6.4%	3,460,658	7.0%

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New York, NY 10022

Bryan Maizlish(7) 9705 Conestoga Way Potomac, MD 20854	64,256(8)	Less than 1%	64,256(8)	Less than 1%
Frank Fanzilli [Address]	527,977	1.4%	759,545	1.5%
Paul McAleese [Address]				
Lance Yu c/o Sona Mobile, Inc. 44 Victoria Street, Suite 801 Toronto, Ontario M5C1Y2 Canada	1,178,734	3.1%	1,695,722	3.4%
Harris A. Shapiro (10) c/o PerfectData Corporation 1445 East Los Angeles Avenue Simi Valley, CA 93065	344,500	Less than 1%	344,500	Less than 1%
All directors and officers as a group (7 in number)(11)	13,290,011	35.1%	19,090,779	38.8%

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Name and Address of Beneficial Owner	Without Additional Shares		With Additional Shares(2)	
	Number of Shares of Common Stock Beneficially Owned	Percentage of Common Stock Beneficially Owned(1)	Number of Shares of Common Stock Beneficially Owned	Percentage of Common Stock Beneficially Owned
Lohrey LLC c/o Harlowe & Hitt LLP One Tacoma Avenue North Tacoma, WA 98403	3,961,190	10.5%	5,698,554	11.6%
Steven L. Martin c/o Slater Asset Management, LLC 153 East 53 rd Street, 26 th Floor New York, NY 10022	3,430,104(12)	8.93%	3,552,080	7.13%

(1)Effect is given, pursuant to Rule 13-d(1)(i) under the Exchange Act, to shares issuable upon the exercise of options or warrants currently exercisable or exercisable within 60 days of the date of this Report.

(2)Reflects beneficial ownership if the former Sona shareholders increases their equity position in the Company to 85% (including the shares issuable to the Advisor) in accordance with the Merger Agreement.

(3)Mr. Krelloff became the Chairman of the Board and a director of the Company effective with the Merger.

(4)Mr. Bush became the President, the Chief Executive Officer and a director of the Company effective with the Merger.

- (5)The shares of the PerfectData Common Stock reported in the table reflect (a) 6,153,366 shares owned by Mr. Bush and 80,168 shares owned by his wife without the Additional Shares and (b) 8,852,210 shares owned by Mr. Bush and 115,358 shares owned by his wife with the Additional Shares.
- (6)Mr. Glinsman became the Secretary and a director of the Company effective with the Merger and Interim Chief Financial Officer as of June 1, 2005.
- (7)Mr. Maizlish continues to serve as a director of the Company.
- (8)The shares reported in the table reflect or include (a) 60,000 shares issuable upon the exercise of an option under the PerfectData Option Plan. All these options expire on April 19, 2008.
- (9)Director nominee.
- (10)Mr. Shapiro was the Chairman of the Board, the Chief Executive Officer and a director of the Company until April 19, 2005 when he resigned in connection with the Merger. The shares of the Common Stock reported in the table reflect (a) 284,500 shares owned by Millennium Capital Corporation ("Millennium"), for which Mr. Shapiro has voting power as its President; (b) 10,000 shares issuable upon the exercise of an option expiring June 19, 2012 under the 2000 Option Plan (c) 25,000 shares issuable upon the exercise of an option expiring September 25, 2012 under the 2000 Option Plan; and (d) 25,000 shares issuable upon the exercise of a an option expiring June 9, 2014 under the 2000 Option Plan. As a result of the Merger, the expiration date of all three options became April 19, 2008.
- (11)Does not include Mr. Shapiro's beneficial ownership.
- (12)Includes shares owned directly by Mr. Martin (278,104) as well as shares he is deemed to beneficially own under relevant SEC rules and regulations through his wife (8,000), through his IRA (152,400) and through his wife's IRA (72,200). Mr. Martin also has voting control over shares owned by Slater Equity Partners, L.P. (1,372,000), Slater Equity Partner's Offshore Fund Ltd. (762,200) and Slater FF&E Fund, LLC (152,400) by virtue of the fact that he is the Manager and controlling owner of Slater Asset Management, L.L.C. ("SAM") and Slater Capital Management, L.L.C. ("SCM"). SAM is the general partner of investment limited partnerships of which SCM is the investment advisor, including Slater Equity Partners, L.P. SCM is also the investment advisor to Slater Equity Partners Offshore Fund Ltd. ("Offshore Fund"). Also include 628,800 shares underlying warrants held by Mr. Martin and the above-mentioned individuals and entities.

Legal Proceedings

We are not aware of any legal proceedings in which any director, officer or affiliate of the ours, any beneficial owner of record of more than five percent of any class of voting securities of ours, or any associate of any such director, officer, affiliate, or security holder is a party adverse to us or has a material interest adverse to us.

Securities Authorized for Issuance Under Equity Compensation Plans

The following table sets forth, as of March 31, 2005, certain summary information with respect to compensation plans under which shares of the Common Stock are authorized for issuance:

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EQUITY COMPENSATION PLAN INFORMATION

	Number of securities to be issued upon exercise of outstanding options, warrants and rights	Weighted-average price of outstanding options, warrants and rights	Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a)) (c)
	(a)	(b)	(c)
Equity compensation plans approved by security holders	324,000	\$.93	1,686,000
Equity compensation plans not approved by security holders (1)	—	—	76,000
Total	324,000	\$.93	1,762,000

(1) In April 1999, the Board authorized a reserve of 100,000 shares of Common Stock for granting of warrants and options. Said warrants and options were to be sold for a price of five cents per share and would have an exercise price of \$1.56 per share. The term was to be three years from date of issuance.

This plan was cancelled by the Board effective April 18, 2005.

Certain Related Party Transactions

We have an oral arrangement with Nicholas H. Glinsman, our Secretary and Interim Chief Financial Officer and a member of our Board, under which we pay him \$12,500 per month for business and financial advisory services.

We have an oral arrangement with John Bush, our Chief Executive Officer and President and a member of our Board, under which we pay him approximately \$15,000 per month as compensation for services rendered to us.

On July 18, 2005, we recently entered into a two-year consulting agreement with Frank Fanzilli, a director, under which we pay him \$5,000 per month for advisory and consulting services.

Section 16(a) Beneficial Ownership Reporting Compliance

Section 16(a) of the Exchange Act requires our officers and directors, and persons who beneficially own more than ten percent (10%) of a registered class of our equity securities to file reports of ownership and changes in ownership with the Commission. Officers, directors and greater than ten percent (10%) stockholders are required by to furnish us with copies of all Section 16(a) forms they file.

To the best of our knowledge, based solely on review of the copies of such forms furnished to us, or written representations that no other forms were required, we believe that all Section 16(a) filing requirements applicable to our officers, directors and greater than ten percent (10%) stockholders were complied with during the fiscal year ended March 31, 2005. With respect to any former directors, officers, and ten percent (10%) stockholders, we do not have any knowledge of any known failures to comply with the filing requirements of Section 16(a).

PROPOSAL 3

APPROVAL OF AN AMENDMENT TO OUR CERTIFICATE OF INCORPORATION TO CHANGE OUR NAME TO "SONA MOBILE HOLDINGS CORP."

General

On May 24, 2005, the Board unanimously adopted a resolution, subject to shareholder approval, to amend our Certificate of Incorporation to change our name from "PerfectData Corporation" to "Sona Mobile Holdings Corp." This change arises in connection with the Merger. At the time of the Merger, we no longer had an operating business, having sold all our assets to Spray Products Corporation in November 2004. As a result of the Merger, our only operating business is the historical business of Old Sona. We believe that it is in our best interest and the best interest of our stockholders to continue to

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develop a brand identity for the Sona name. As a result, changing our name to "Sona Mobile Holdings Corp." more clearly reflects our current business and its future prospects. In addition, once our name is changed, we plan to ask Nasdaq to change our stock symbol to "SONA".

A copy of the proposed amendment to our Certificate of Incorporation is attached as Appendix V to this Proxy Statement.

The Board of Directors Recommends a Vote FOR the Proposal to Amend the Certificate of Incorporation to Change our name to "Sona Mobile Holdings Corp." and Proxies that are Signed and Returned will be so Voted Unless Otherwise Instructed.

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PROPOSAL 4

APPROVAL OF AN AMENDMENT TO OUR CERTIFICATE OF INCORPORATION TO INCREASE THE NUMBER OF AUTHORIZED SHARES OF OUR COMMON STOCK

General

On May 24, 2005, the Board unanimously adopted a resolution, subject to stockholder approval, to amend our Certificate of Incorporation to increase the number of authorized shares of Common Stock to 90,000,000. Currently, we have 10,000,000 shares of Common Stock authorized.

The Board believes that the proposed increase in the number of shares of authorized Common Stock is because it will result in an automatic conversion of the outstanding shares of Series A and Series B Preferred Stock. It will also permit us to reserve a sufficient number of shares to cover the additional shares to be reserved under the Amended and Restated Plan and the common stock purchase warrants issued in connection with our June 2005 private placement to accredited investors, and, if needed, for issuance in connection with future equity financings, possible acquisitions, stock splits, stock dividends, employee benefit plans and for other proper corporate purposes without further action by the company's stockholders, except as required by applicable law, regulation or rule.

The Series A Preferred Stock

At the time of the Merger, we had 6,584,530 shares of Common Stock issued and outstanding. In addition, we had reserved 2,000,000 shares of Common Stock for future issuances under our Plan. In the Merger transaction, the former shareholders of Sona were to receive a number a shares of Common Stock so that on a fully diluted basis after the Merger they would own 80% of all the issued and outstanding shares of the Common Stock. Since we did not have a sufficient number of authorized shares of Common Stock to meet this requirement, the former Sona shareholders

received 539,733 shares of our Series A Preferred Stock, which is convertible into 25,961,714 shares of Common Stock. In addition, Sona's financial advisor in connection with the Merger received 28,407 shares of the Series A Preferred Stock, which are convertible into 1,366,406 shares of Common Stock.

The rights, preferences and privileges of the Series A Preferred Stock are set forth in Certificate of Designations filed as an exhibit to our Form 10-KSB filed on May 27, 2005. The key terms of the Series A Preferred Stock are as follows:

- (a) Dividends. The Board of Directors may, in its discretion, declare a quarterly non-cumulative cash dividend at a rate of six percent per annum.
- (b) Conversion. Each holder of the Series A Preferred Stock may, at any time and from time to time, convert each of his, her or its shares of the Series A Preferred Stock into a number of shares of the Common Stock determined in accordance with a conversion ratio of 48.11159. This conversion ratio and the shares of the Common Stock issuable upon conversion are subject to adjustment upon the occurrence of stock splits, stock dividends or similar events. The holders are also protected in the event of a merger or consolidation where we are not the survivor or a sale of all or substantially all of our assets. Each share

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of the Series A Preferred Stock will mandatorily convert into shares of the Common Stock either: (i) on the date on which the stockholders authorize an increase in the number of authorized shares of the Common Stock in order to permit the conversion of all the shares of the Series A Preferred Stock or (ii) April 19, 2010.

- (c) No Fractional Shares. No fractional share of the Common Stock shall be issued, whether upon conversion of the Series A Preferred Stock. Instead what would have been a fractional share shall be rounded up or down to the nearest whole share of the Common Stock.
- (d) Rank. Shares of the Series A Preferred Stock rank prior to shares of the Common Stock and any series of capital stock created subsequently with respect to the distribution of assets upon the liquidation, dissolution or winding up of PerfectData, whether voluntary or involuntary, unless otherwise consented to by the holders of at least 50% of the then outstanding shares of the Series A Preferred Stock. In June 2005, the holders of more than 50% of the outstanding shares of the Series A Preferred Stock consented to the issuance of the Series B Preferred Stock (described below) which ranks in parity with the Series A Preferred Stock.
- (e) Liquidation Preference. Upon the bankruptcy or other liquidation, dissolution or winding up of the company, the holders of the Series A Preferred Stock will be entitled to a preferential payment equal to the following: \$3,250,000 (adjusted for any shares of Series A Preferred Stock previously converted into shares of Common Stock).
- (f) Voting. Each holder of the Series A Preferred Stock shall be entitled to vote with the holders of the Common Stock as a single class on all matters submitted to a vote of the stockholders and shall be entitled to the number of votes such holder would have been entitled to had such holder converted his, her or its shares of the Series A Preferred Stock. In addition, the holders of the Series A Preferred Stock shall vote as a separate class on any matter which adversely affect their rights or as to which their consent is required. In such event each holder shall have one vote per share.

(g) Additional Protection Provisions. During such time as any shares of the Series A Preferred Stock are outstanding, PerfectData shall not take any of the following actions without the prior written consent of the holders of more than 50% of the then outstanding shares of the Series A Preferred Stock:

- (i) change any rights, preferences or privileges of the Series A Preferred Stock;
- (ii) change any rights, preferences or privileges of any capital stock of PerfectData that would adversely affect the Series A Preferred Stock;
- (iii) create or issue any class or series of capital stock that ranks on a par with, or senior to, the Series A Preferred Stock, with respect to the distribution of assets upon the liquidation, dissolution or winding up of PerfectData;
- (iv) increase or decrease the number of authorized shares of the Series A Preferred Stock;
- (v) redeem or repurchase, or declare or pay any cash dividend on any securities junior to the Series A Preferred Stock except in accordance with the Certificate of Designations or for repurchases pursuant to an equity incentive plan approved by our Board in good faith; or
- (vi) amend our Certificate of Incorporation or Bylaws.

The Series B Preferred Stock and the Warrants

Between June 21, 2005 and July 8, 2005, we sold 3,848.7 shares of our Series B Preferred Stock, convertible into 3,848,700 shares of our Common Stock, and common stock purchase warrants to purchase 962,175 shares (the "Warrants") to a group of accredited investors for an aggregate purchase price of \$5.05 million (the "Series B Financing"). The proceeds from the Series B Financing are for working capital and general corporate purposes.

The Warrants have a four-year term, expiring on June 20, 2009, an exercise price of \$1.968 per share and "weighted average" anti-dilution protection.

The rights, preferences and privileges of the Series B Preferred Stock are set forth in Certificate of Designations filed as an exhibit to our Current Report on Form 8-K filed on June 22, 2005. In general, the

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Series B Preferred Stock is identical in all material respects to the Series A Preferred Stock. The key terms of the Series B Preferred Stock are as follows:

(a) Dividends. The Board of Directors may, in its discretion, declare a quarterly non-cumulative cash dividend at a rate of six percent per annum.

(b) Conversion. Each holder of the Series B Preferred Stock may, at any time and from time to time, convert each of his, her or its shares of the Series B Preferred Stock into a number of shares of the Common Stock determined in accordance with a conversion ratio of 1 to 1,000. This conversion ratio and the shares of the Common Stock issuable upon conversion are subject to adjustment upon the occurrence of stock splits, stock dividends or similar events. The holders are also protected in the event of a merger or consolidation where we are not the survivor or a sale of all or substantially all of our assets. Each share of the Series B Preferred Stock will mandatorily convert into shares of the Common Stock either: (i) on the date on which the stockholders authorize an increase in the number of authorized shares of the Common Stock in order to permit the conversion of all the shares of the Series B Preferred Stock or (ii) June 21, 2010.

- (c) No Fractional Shares. No fractional share of the Common Stock shall be issued, whether upon conversion of the Series B Preferred Stock. Instead what would have been a fractional share shall be rounded up or down to the nearest whole share of the Common Stock.
- (d) Rank. Shares of the Series B Preferred Stock rank in parity with the shares of the Series A Preferred Stock, and rank prior to shares of the Common Stock and any other series of capital stock created subsequently with respect to the distribution of assets upon the liquidation, dissolution or winding up of PerfectData, whether voluntary or involuntary, unless otherwise consented to by the holders of at least 50% of the then outstanding shares of the Series B Preferred Stock.
- (e) Liquidation Preference. Upon the bankruptcy or other liquidation, dissolution or winding up of the company, the holders of the Series B Preferred Stock shall be entitled to a preferential payment equal to \$1,312.00 per share.
- (f) Voting. Each holder of the Series B Preferred Stock shall be entitled to vote with the holders of the Common Stock as a single class on all matters submitted to a vote of the stockholders and shall be entitled to the number of votes such holder would have been entitled to had such holder converted his, her or its shares of the Series B Preferred Stock. In addition, the holders of the Series B Preferred Stock shall vote as a separate class on any matter which adversely affect their rights or as to which their consent is required. In such event each holder shall have one vote per share.
- (g) Additional Protection Provisions. During such time as any shares of the Series B Preferred Stock are outstanding, we agreed that we will not take any of the following actions without the prior written consent of the holders of more than 50% of the then outstanding shares of the Series B Preferred Stock:
- (i) change any rights, preferences or privileges of the Series B Preferred Stock;
 - (ii) change any rights, preferences or privileges of any of our capital stock that would adversely affect the Series B Preferred Stock;
 - (iii) create or issue any class or series of capital stock that ranks on a par with, or senior to, the Series B Preferred Stock, with respect to the distribution of assets upon the liquidation, dissolution or winding up of PerfectData;
 - (iv) increase or decrease the number of authorized shares of the Series B Preferred Stock;
 - (v) redeem or repurchase, or declare or pay any cash dividend on any securities junior to the Series B Preferred Stock except in accordance with the Certificate of Designations or for repurchases pursuant to an equity incentive plan approved by our Board in good faith; or
 - (vi) amend our Certificate of Incorporation or Bylaws.

The Board believes that the increase in the number of authorized shares of the Common Stock is in the best interests of all the stockholders because it will force an automatic conversion of all of the

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outstanding shares of Series A Preferred Stock and Series B Preferred Stock into Common Stock. In addition, the additional number of authorized shares of Common Stock will provide us with flexibility in the event it needs to raise additional capital or make acquisitions.

A copy of the proposed amendment to our Certificate of Incorporation is attached as Appendix V to this Proxy Statement.

Procedure for Exchange of Stock Certificates

If the stockholders approve the proposal to amend our Certificate of Incorporation to increase the number of authorized shares of Common Stock, we will immediately file the amendment attached hereto as Appendix V (with such modifications as may be required by the Secretary of State of the State of Delaware). As soon as practicable after the filing of the amendment, we will notify the holders of our Series A and Series Preferred Stock of the filing and ask them to send us their certificates evidencing their shares of the Series A and Series B Preferred Stock. Once we receive the certificate from a shareholder, we will instruct our transfer agent to issue to that shareholder a certificate for the appropriate number of shares of Common Stock based on the applicable conversion ratio. **STOCKHOLDERS SHOULD NOT DESTROY ANY STOCK CERTIFICATE(S) AND SHOULD NOT SUBMIT ANY CERTIFICATE(S) UNTIL REQUESTED TO DO SO.** Regardless of whether a holder of the Series A or Series B Preferred Stock surrenders his stock certificate the rights, preferences and privileges of the Series A and Series B Preferred Stock will terminate immediately upon the filing of the amendment.

The Board of Directors Recommends a Vote FOR the Proposal to Amend the Certificate of Incorporation to Increase the Number of Authorized Shares of Common Stock and Proxies that are Signed and Returned will be so Voted Unless Otherwise Instructed.

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PROPOSAL 5

TO GRANT TO OUR BOARD OF DIRECTORS DISCRETIONARY AUTHORITY TO AMEND OUR CERTIFICATE OF INCORPORATION TO EFFECT A REVERSE STOCK SPLIT OF OUR COMMON STOCK AT A RATIO WITHIN THE RANGE FROM ONE-FOR-THREE TO ONE-FOR-FIVE AT ANY TIME PRIOR TO DECEMBER 31, 2005.

General

On June 16, 2005, the Board unanimously adopted a resolution seeking stockholder approval to grant the Board the authority to amend our Certificate of Incorporation to effect a reverse split of its Common Stock at any time it determines prior to December 31, 2005. A copy of the proposed amendment is attached hereto as Appendix VI. Stockholder approval of this proposal would also give the Board authority to decline to implement a reverse stock split prior to such date or at all. The ratio of the reverse stock split that the Board approved and deemed advisable and for which it is seeking stockholder approval is in the range from one-for-three to one-for-five with the exact ratio to be established within this range by the Board in its sole discretion at the time it elects to effect a split.

If our stockholders approve the reverse stock split proposal and the Board decides to implement the reverse stock split, we will file the proposed amendment with the Secretary of State of the State of Delaware (as described below) which will effect a reverse split of the shares of Common Stock then issued and outstanding at the specific ratio determined by the Board. The reverse stock split, if implemented, would not change the number of authorized shares or the par value of Common Stock. Except for any changes as a result of the treatment of fractional shares, each stockholder will hold the same percentage of Common Stock outstanding immediately prior to the reverse stock split as such stockholder did immediately prior to the split.

Reasons for This Proposal

The primary purpose of the reverse stock split is to obtain a higher per share trading price for our Common Stock making more attractive to certain investors. Because the reverse stock split combines the

outstanding shares of Common Stock into a fewer number of shares, a share of Common Stock outstanding after giving effect to the reverse stock split is more likely to trade at a higher price per share than a share of Common Stock outstanding before giving effect to the reverse stock split. In addition, because the Delaware Annual Franchise Tax is based on authorized capital, we believe that a reverse stock split may reduce the amount of this tax.

Our Common Stock is currently quoted on the Over-The-Counter Bulletin Board ("OTCBB") and trading at below \$2.00 per share. We believe that the current per share price level of the Common Stock has reduced the effective marketability of its shares of Common Stock because of the reluctance of many leading brokerage firms to maintain active analyst coverage of low-priced stocks or to recommend low-priced stocks to their clients. Some investors may view low-priced stock as speculative and unattractive, although some other investors may be attracted to low-priced stock because of the greater trading volatility sometimes associated with such securities. Such a limited stockholder base may have the undesirable effect of artificially limiting demand for the Common Stock, thus depressing the stock price.

We also believe that some brokerage houses may have policies and practices that tend to discourage individual brokers within those firms from dealing in low-priced stock. Those policies and practices pertain to the payment of brokers' commissions and to time-consuming procedures that function to make the handling of low-priced stocks unattractive to brokers from an economic standpoint. Because brokerage commissions on low-priced stock may represent a higher percentage of the stock price than commissions on higher-priced stock, the current share price of the Common Stock can result in individual stockholders paying transaction costs (commission, markups or markdowns) that represent a higher percentage of their total share value than would be the case if the share price were substantially higher.

For all of the above reasons, the Board believes that the reverse stock split is in our best interests and those of our stockholders. There can be no assurance, however, that the reverse stock split will have the desired consequences. Specifically, there can be no assurance that, after the reverse stock split, the market price of the Common Stock will not be less than the market price before the proposed reverse stock split.

The Board believes that stockholder approval of an exchange ratio range (rather than an exact exchange ratio) provides the Board with maximum flexibility to achieve the purposes of the reverse stock split. If the stockholders approve the reverse stock split proposal, the reverse stock split will be effected, if at all, only upon a determination by the Board that the reverse stock split is in our best interests and those of our stockholders at that time. In connection with any determination to effect a reverse stock split, the Board will set the timing for such a split and select the specific ratio within the range. These determinations will be made by the Board to create the greatest marketability of our Common Stock based on prevailing market conditions at that time. No further action on the part of stockholders will be required to either implement or abandon the reverse stock split. If the Board does not implement a reverse stock split prior to December 31, 2005, the authority granted in this proposal to implement a reverse stock split on these terms will terminate. The Board reserves its right to elect not to proceed with the reverse stock split if it determines, in its sole discretion, that the split is no longer in our best interests and those of our stockholders.

Certain Risks Associated With the Reverse Stock Split

There can be no assurance that the total market capitalization of Common Stock after the proposed reverse stock split will be equal to or greater than the total market capitalization before the proposed reverse stock split or that the per share market price of Common Stock following the reverse stock split will either exceed or remain higher than the current per share market price.

There can be no assurance that the market price per new share of Common Stock (the "New Shares") after the reverse stock split will rise or remain constant in proportion to the reduction in the number of old shares of Common Stock (the "Old Shares") outstanding before the reverse stock split. For example, based on the market price of Common Stock on June 23, 2005 of \$1.45 per share, if the Board decided to implement the reverse stock split and selects a reverse stock split ratio of one-for-three, there can be no assurance that the post-split market price of Common Stock would be \$4.35 per share. Alternatively, if the Board decided to implement the reverse stock split and selects a reverse stock split ratio of one-for-five, there can be no assurance that the post-split market price of Common Stock would

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be \$7.25 per share. Accordingly, the total market capitalization of Common Stock after the proposed reverse stock split may be lower than the total market capitalization before the proposed reverse stock split and, in the future, the market price of Common Stock following the reverse stock split may not exceed or remain higher than the market price prior to the proposed reverse stock split. In many cases, the total market capitalization of a company following a reverse stock split is lower than the total market capitalization before the reverse stock split.

A decline in the market price for Common Stock after the reverse stock split may result in a greater percentage decline than would occur in the absence of a reverse stock split, and the liquidity of Common Stock could be adversely affected following a reverse stock split.

The market price of Common Stock will also be based on our performance and other factors, some of which are unrelated to the number of shares outstanding. If the reverse stock split is effected and the market price of Common Stock declines, the percentage decline as an absolute number and as a percentage of our overall market capitalization may be greater than would occur in the absence of a reverse stock split. In many cases, both the total market capitalization of a company and the market price of a share of such company's common stock following a reverse stock split are lower than they were before the reverse stock split. Furthermore, the liquidity of Common Stock could be adversely affected by the reduced number of shares that would be outstanding after the reverse stock split.

Principal Effects of the Reverse Stock Split

Corporate Matters. If approved and effected, the reverse stock split would have the following effects:

- depending on the exact reverse stock split ratio selected by the Board, between three and five Old Shares owned by a stockholder would be exchanged for one (1) New Share;
- the number of shares of Common Stock issued and outstanding will be reduced proportionately based on the reverse stock split ratio selected by the Board;
- based on the reverse stock split ratio selected by the Board, proportionate adjustments will be made to the per share exercise price and the number of shares issuable upon the exercise of all outstanding options and warrants entitling the holders thereof to purchase shares of Common Stock, which will result in approximately the same aggregate price being required to be paid for such options or warrants upon exercise of such options or warrants immediately preceding the reverse stock split; and
- the number of shares reserved for issuance under our existing stock option plan will be reduced proportionately based on the reverse stock split ratio selected by the Board.

If approved and effected, the reverse stock split will be effected simultaneously for all Common Stock and the ratio will be the same for all Common Stock. The reverse stock split will affect all of our stockholders uniformly and will

not affect any stockholder's percentage ownership interests in us, except to the extent that the reverse stock split results in any of our stockholders owning a fractional share. As described below, stockholders holding fractional shares will be entitled to cash payments in lieu of such fractional shares. Such cash payments will reduce the number of post-split stockholders to the extent there are stockholders presently holding fewer than up to 3 shares, depending on the ratio for the reverse stock split selected by the Board. This, however, is not the purpose for which we are effecting the reverse stock split. Common Stock issued pursuant to the reverse stock split will remain fully paid and non-assessable. We will continue to be subject to the periodic reporting requirements of the Exchange Act.

Fractional Shares. No scrip or fractional certificates will be issued in connection with the reverse stock split. Stockholders who otherwise would be entitled to receive fractional shares because they hold a number of Old Shares not evenly divisible by the number selected by the Board for the reverse stock split ratio will be entitled, upon surrender of certificate(s) representing such shares, to a cash payment in lieu thereof. The cash payment will equal the product obtained by multiplying (a) the fraction to which the stockholder would otherwise be entitled by (b) the per share closing sales price of Common Stock on the day immediately prior to the effective time of the reverse stock split, as reported on the OTCBB. The

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ownership of a fractional interest will not give the holder thereof any voting, dividend or other rights except to receive payment therefor as described herein.

Stockholders should be aware that, under the escheat laws of the various jurisdictions where stockholders reside, where we are domiciled and where the funds will be deposited, sums due for fractional interests that are not timely claimed after the effective time may be required to be paid to the designated agent for each such jurisdiction. Thereafter, stockholders otherwise entitled to receive such funds may have to seek to obtain them directly from the state to which they were paid.

If approved and effected, the reverse stock split will result in some stockholders owning "odd lots" of less than 100 shares of Common Stock. Brokerage commissions and other costs of transactions in odd lots are generally somewhat higher than the costs of transactions in "round lots" of even multiples of 100 shares.

Authorized Shares. As of March 31, 2005, PerfectData had 10,000,000 shares of Common Stock authorized and upon stockholder approval of an increase the number shares of Common Stock authorized will be 90,000,000. Upon the effectiveness of the reverse stock split, the number of authorized shares of Common Stock will not change.

Accounting Matters. The reverse stock split will not affect the par value of Common Stock. As a result, as of the effective time of the reverse stock split, the stated capital on our balance sheet attributable to Common Stock will be reduced proportionately based on the reverse stock split ratio selected by the Board, and the additional paid-in capital account will be credited with the amount by which the stated capital is reduced. The per share net income or loss and net book value of Common Stock will be restated because there will be fewer shares of Common Stock outstanding.

Potential Anti-Takeover Effect. Although the increased proportion of unissued authorized shares to issued shares could, under certain circumstances, have an anti-takeover effect (for example, by permitting issuances that would dilute the stock ownership of a person seeking to effect a change in the composition of our Board or contemplating a tender offer or other transaction for the combination of us with another company), the reverse stock split proposal is not being proposed in response to any effort of which we are aware to accumulate our shares of common stock or obtain control of us, nor is it part of a plan by management to recommend a series of similar amendments to our Board

and stockholders. Other than the reverse stock split proposal, the Board does not currently contemplate recommending the adoption of any other amendments to our Certificate of Incorporation that could be construed to affect the ability of third parties to take over or change the control of us.

Procedure for Effecting Reverse Stock Split and Exchange of Stock Certificates

If the stockholders approve the proposal to authorize the Board to implement the reverse stock split and the Board decides to implement the reverse stock split on or prior to December 31, 2005, we will file an amendment substantially in the form set forth on Appendix VI with the Secretary of State of the State of Delaware. The text of the amendment may be modified to include such changes as may be required by the office of the Secretary of State of the State of Delaware and as the Board deems necessary and advisable to effect the reverse stock split, including the insertion of the effective time and the applicable reverse stock split ratio determined by the Board. The reverse stock split will become effective at the time specified in the amendment. Beginning at the effective time, each certificate representing Old Shares will be deemed for all corporate purposes to evidence ownership of New Shares.

As soon as practicable after the effective time, stockholders will be notified that the reverse stock split has been effected. We expect that our transfer agent will act as exchange agent for purposes of implementing the exchange of stock certificates. Holders of Old Shares will be asked to surrender to the exchange agent certificates representing Old Shares in exchange for certificates representing New Shares in accordance with the procedures to be set forth in the letter of transmittal we send to our stockholders. No new certificates will be issued to a stockholder until such stockholder has surrendered such stockholder's outstanding certificate(s), together with the properly completed and executed letter of transmittal, to the exchange agent. Any Old Shares submitted for transfer, whether pursuant to a sale, other disposition or otherwise, will automatically be exchanged for New Shares. STOCKHOLDERS

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SHOULD NOT DESTROY ANY STOCK CERTIFICATE(S) AND SHOULD NOT SUBMIT ANY CERTIFICATE(S) UNTIL REQUESTED TO DO SO.

No Dissenters' Rights

Under the Delaware General Corporation Law, our stockholders are not entitled to dissenters' rights with respect to the reverse stock split, and we will not independently provide stockholders with any such right.

Federal Income Tax Consequences of the Reverse Stock Split

The following is a summary of certain material federal income tax consequences of the reverse stock split, does not purport to be a complete discussion of all of the possible federal income tax consequences of the reverse stock split and is included for general information only. Further, it does not address any state, local or foreign income or other tax consequences. Also, it does not address the tax consequences to holders that are subject to special tax rules, such as banks, insurance companies, regulated investment companies, personal holding companies, foreign entities, nonresident alien individuals, broker-dealers and tax-exempt entities. The discussion is based on the provisions of the United States federal income tax law as of the date hereof, which is subject to change retroactively as well as prospectively. This summary also assumes that the Old Shares were, and the New Shares will be, held as a "capital asset," as defined in the Code (i.e., generally, property held for investment). The tax treatment of a stockholder may vary depending upon the particular facts and circumstances of such stockholder. Each stockholder is urged to consult with such stockholder's own tax advisor with respect to the tax consequences of the reverse stock split.

Other than the cash payments for fractional shares discussed below, no gain or loss should be recognized by a stockholder upon such stockholder's exchange of Old Shares for New Shares pursuant to the reverse stock split. The aggregate tax basis of the New Shares received in the reverse stock split (including any fraction of a New Share deemed to have been received) will be the same as the stockholder's aggregate tax basis in the Old Shares exchanged therefor. In general, stockholders who receive cash in exchange for their fractional share interests in the New Shares as a result of the reverse stock split will recognize gain or loss based on their adjusted basis in the fractional share interests redeemed. The stockholder's holding period for the New Shares will include the period during which the stockholder held the Old Shares surrendered in the reverse stock split.

Our view regarding the tax consequences of the reverse stock split is not binding on the Internal Revenue Service or the courts. ACCORDINGLY, EACH STOCKHOLDER SHOULD CONSULT WITH HIS OR HER OWN TAX ADVISOR WITH RESPECT TO ALL OF THE POTENTIAL TAX CONSEQUENCES TO HIM OR HER OF THE REVERSE STOCK SPLIT.

The Board of Directors Unanimously Recommends a Vote FOR Granting our Board of Directors Discretionary Authority to Amend our Certificate of Incorporation to Effect a Reverse Stock Split of our Common Stock at a Ratio Within the Range from One-For-Three To One-For-Five at any Time Prior to December 31, 2005

* * * * *

APPOINTMENT OF INDEPENDENT AUDITORS

SLGG has been our independent auditors since 2004. Their audit report appears in our annual report for the fiscal year ended March 31, 2005. Before we retained SLGG, KPMG was our independent auditors. Horwath Orenstein LLP ("Horwath") audited Sona's financial statements for its years ended December 31, 2003 and 2004. As a result of the Merger, Horwath is our auditor of record. A representative of Horwath will be at the Annual Meeting and will have an opportunity to make a statement if he or she desires to do so and will be available to respond to appropriate questions.

Although selection of the independent accountants is not required to be submitted to a vote of our stockholders for ratification, the Board does believe that as a matter of good corporate practice it is

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preferable to have shareholders ratify the appointment of the company's auditors. At the same time, the Board believes that the Audit Committee, made up solely of independent directors, should be directly responsible for the appointment, compensation and oversight of the audit work of the independent auditors. In light of the fact that the Audit Committee has only been recently reconstituted, we have not yet selected our auditors for the current fiscal year. We anticipate that this will be one of the first orders of business for the Audit Committee.

Principal Accountant Fees and Services.

Audit Fees

SLGG estimates that it will bill us \$26,000 for professional services rendered in connection with its audit of our financial statements for the year ended March 31, 2005 of which \$10,000 has already been paid. SLGG billed us \$20,780 for its review of our financial statements included in the Forms 10-QSB filed for the first three quarters of the

2005 fiscal year.

SLGG billed us \$39,957 for professional services rendered in connection with its audit of our annual financial statements for the year ended March 31, 2004. KPMG, LLP ("KPMG"), our former Independent Registered Public Accounting Firm, billed us an aggregate of \$10,000 to review the financial statements included in the Forms 10-QSB filed for the first three quarters of the 2004 fiscal year.

Audit-Related Fees

SLGG billed us \$1,061 for professional services rendered in the 2005 fiscal year in connection with the consent solicitation statement relating to shareholder approval of the sale to Spray and reincorporation of the company in the State of Delaware.

KPMG billed us (1) \$30,000 for its professional services in the 2004 fiscal year in connection with our Registration Statement on Form S-4, File No. 333-109933, filed in connection with the then proposed merger transaction with SuperCom, which Registration Statement was withdrawn when the proposed transaction terminated, (2) \$15,000 for its professional services in connection with our then pending preliminary consent solicitation statement relating to shareholder approval of the proposed sale to Spray and reincorporation in the State of Delaware, and (3) \$25,000 for its professional services in connection with our Annual Report on Form 10-KSB for Fiscal 2004.

Tax Fees

SLGG billed us \$4,182 for its professional services in connection with preparing our federal and state tax returns for the 2004 fiscal year and estimates that it will bill us \$5,000 for its professional services in connection with preparing and filing our federal and state tax returns for the 2005 fiscal year.

All Other Fees

During the 2005 fiscal year, SLGG billed us \$6,378 for its professional services in connection with the Sona merger transaction. During the 2004 fiscal year, KPMG billed us \$25,000 for its professional services in connection with a limited due diligence review of SuperCom's financial statements.

Audit Committee Approval

Pursuant to the Audit Committee Charter, only the Audit Committee may select annually the Independent Registered Public Accounting Firm for us, subject to stockholder ratification. Only the Audit Committee may replace the Independent Registered Public Accounting Firm. The Charter also requires the Audit Committee to approve the retention of the independent auditors for any non-audit service and the fee for such service. The Audit Committee also approves the scope of the annual audit and the intended fee for such service and the fees for the quarterly reviews of the financial statements in the Forms 10-QSB. The Charter does not permit any delegation of the Audit Committee's authority to management and sets forth procedures for annual reviews by the Audit Committee of the Independent Registered Public Accounting Firm to determine their qualifications and independence.

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With respect to all of the services described under the captions "Audit-Related Fees," "Tax Fees" and "All Other Fees," the Audit Committee reviewed in advance the scope of the services to be rendered and determined that the

services were compatible with maintaining the independence of KPMG or SLGG, whichever was applicable. The Audit Committee also approved in advance all of the fees for such services and for the fees described under the caption "Audit Fees."

MISCELLANEOUS

Other Matters

The management knows of no other business which will be presented for consideration at the Annual Meeting other than that stated in the notice of meeting.

Stockholder Proposals

Stockholders interested in presenting a proposal for consideration at the annual meeting of stockholders in 2006 must follow the procedures found in Rule 14a-8 under the Exchange Act and our bylaws. To be eligible for inclusion in our 2006 proxy materials, all qualified proposals must be received by our Secretary no later than [120 days before the Proxy Statement filing date]. Such proposals should be addressed to Nicholas H. Glinsman, secretary, PerfectData Corporation, 825 Third Avenue, 32nd Floor, New York, New York 10022.

Solicitation of Proxies

The cost of this proxy solicitation and any additional material relating to the meeting which may be furnished to the stockholders will be borne by us. In addition, solicitation by telephone, telegraph or other means may be made personally, without additional compensation, by our officers, directors and regular employees. We also will request brokers, dealers, banks and voting trustees and their nominees holding shares of record but not beneficially to forward proxy soliciting material to beneficial owners of such shares, and upon request, will reimburse them for their expenses in so doing.

Reports and Financial Statements

Our Annual Report for the fiscal year ended March 31, 2005, including Audited Financial Statements is included with this proxy material. The financial statements and the management's discussion and analysis of financial condition and results of operations contained in the Annual Report are incorporated by reference and are part of this soliciting material.

A copy of our Annual Report to the Securities and Exchange Commission on Form 10-KSB, without exhibits, will be provided without charge to any stockholder submitting a written request. Such request should be addressed to Nicholas H. Glinsman, secretary, PerfectData Corporation, 825 Third Avenue, 32nd Floor, New York, New York 10022.

EVERY STOCKHOLDER, WHETHER OR NOT HE OR SHE EXPECTS TO ATTEND THE ANNUAL MEETING IN PERSON, IS URGED TO EXECUTE THE PROXY AND RETURN IT PROMPTLY IN THE ENCLOSED BUSINESS REPLY ENVELOPE.

BY ORDER OF THE BOARD OF DIRECTORS

/s/ Nicholas H. Glinsman

Nicholas H. Glinsman, Secretary

Dated: New York, New York
August , 2005

APPENDIX I (FORM OF PROXY)

PERFECTDATA CORPORATION
P R O X Y
FOR ANNUAL MEETING OF THE STOCKHOLDERS
WEDNESDAY, AUGUST 31, 2005
THIS PROXY IS SOLICITED ON BEHALF OF THE BOARD OF DIRECTORS

The undersigned hereby appoints Shawn Kreloff and John bush, and each of them, with full power of substitution, as proxies to vote the shares which the undersigned is entitled to vote at the Annual Meeting of the Stockholders of PerfectData Corporation ("PerfectData") to be held at 825 Third Avenue, 32nd Floor, New York, New York, on Wednesday, August 31, 2005 at 10:00 A.M., Eastern Time and at any adjournments thereof, hereby revoking any proxies heretofore given, to vote all shares of common stock of PerfectData held or owned by the undersigned as indicated on the proposals as more fully set forth in the Proxy Statement, and in their discretion upon such other matters as may come before the meeting.

Please mark "X" your votes as indicated :

1. ELECTION OF DIRECTORS: Shawn Kreloff, John Bush, Nicholas H. Glinsman. Bryan Maizlish, Frank J. Fanzilli, Jr. and Paul A McAleese

FOR election of all nominees

WITHHOLD vote from all nominees

FOR all nominees,

EXCEPT for nominee(s) listed below from whom Vote is withheld.

2. Approval the Amended and Restated Stock Option Plan of 2000 of PerfectData Corporation.

FOR AGAINST ABSTAIN

3. To approve an amendment to our Certificate of Incorporation that would change our name to "Sona Mobile Holdings Corp."

FOR AGAINST ABSTAIN

4. To approve an amendment to our Certificate of Incorporation that would increase the number of shares of our authorized shares of common stock to 90,000,000.

FOR AGAINST ABSTAIN

5. To grant to our board of directors discretionary authority to amend our Certificate of Incorporation to effect a

reverse stock split of our common stock at a ratio within the range from one-for-three to one-for-five at any time prior to December 31, 2005.

FOR AGAINST ABSTAIN

(Continued, and to be signed, on the Reverse Side)