U.S. SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

Form 10-K

(Mark One)
☒ ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934 FOR THE FISCAL YEAR ENDED JULY 31, 2013

☐ TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(D) OF THE SECURITIES EXCHANGE ACT OF 1934
For the transition period from to

Commission File Number 000-26399

eOn Communications Corporation

(Exact name of registrant as specified in its charter)

DELAWARE	62-1482176
(State of incorporation)	(I.R.S. Employer Identification No.)

1703 Sawyer Road, Corinth, MS 38829
(Address of principal executive offices)

(800) 955-5321
(Telephone number)

Securities registered pursuant to Section 12(b) of the Act: None

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

Common Stock, $0.005 par value per share
(Title of each class)

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes ☐ No ☒

Check whether the issuer is not required to file reports pursuant to Section 13 or 15(d) of the Exchange Act ☐

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes ☒ No ☐

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes **S** No ☐

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (§229.405 of this chapter) is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. ☒

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

Large accelerated filer ☐ Accelerated filer ☐ Non-accelerated filer ☐ (Do not check if a smaller reporting company) Smaller reporting company ☒

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ☐ No ☒

The aggregate market value of the shares of common stock held by non-affiliates of the registrant was approximately $1,868,416 based upon the closing sale price as reported by the NASDAQ Stock Market on the last business day of the registrant's most recently completed second fiscal quarter (January 31, 2013).

2,891,613 shares of Common Stock, par value $0.005, were outstanding as of September 30, 2013.

DOCUMENTS INCORPORATED BY REFERENCE

Certain portions of the registrant's Proxy Statement for the 2013 Annual Meeting of Shareholders are incorporated by reference in Part III.

* - Information is not required because the registrant is a smaller reporting company

PART 1

FORWARD-LOOKING STATEMENTS

This report contains forward-looking statements within the meaning of the federal securities laws. Forward-looking statements are those that express management's views of future events, developments, and trends. In some cases, these statements may be identified by terminology such as "may," "will," "should," "expects," "plans," "intends," "anticipates," "believes," "estimates," "predicts," "potential," or "continue" or the negative of such terms and other comparable expressions. Forward-looking statements include statements regarding our anticipated or projected operating performance, financial results, liquidity, and capital resources. These statements are based on management's beliefs, assumptions, and expectations, which in turn are based on the information currently available to management. Information contained in these forward-looking statements is inherently uncertain, and our actual operating performance, financial results, liquidity, and capital resources may differ materially due to a number of factors, most of which are beyond our ability to predict or control. Factors that may cause or contribute to such differences include, but are not limited to, eOn's ability to compete successfully in its industry and to continue to develop products for new and rapidly changing markets. We also direct your attention to the risk factors affecting our business that are discussed elsewhere in Item 1A. eOn disclaims any obligation to update any of the forward-looking statements contained in this report to reflect any future events or developments. The following discussions should be read in conjunction with our consolidated financial statements and the notes included thereto in Item 8.

ITEM 1. DESCRIPTION OF BUSINESS.

BACKGROUND

eOn Communications Corporation™ ("we", "us", "our", "eOn" or the "Company") is a provider of communications solutions incorporated in Delaware in July 1991. Backed with over 20 years of telecommunications engineering expertise, the Company's solutions enable its customers to use technologies in order to communicate more effectively.

On April 1, 2009, the Company acquired Cortelco Systems Holding Corp. ("Cortelco"). David Lee, Chairman of eOn, was the Chairman and the controlling shareholder of Cortelco. Cortelco, Inc. is a wholly-owned subsidiary of Cortelco Systems Holding Corp. Cortelco provides commercial grade telephone products primarily for use in businesses, government agencies, colleges and universities, telephone companies, and utilities. Cortelco sells primarily through large national distributors with whom it has long term relationships.

On June 9, 2010, the Company executed a Stock Purchase Agreement to purchase 501,382 shares of common stock of Cortelco Systems Puerto Rico, Inc. ("CSPR") from David S. Lee, eOn's Chairman. The acquisition of CSPR stock was completed on June 9, 2010. The consideration for the CSPR shares consisted of (i) 90,959 Company shares of stock, issued to Mr. Lee effective June 9, 2010, (ii) a cash payment of $185,511.34, payable in three annual installments, with the initial installment due on June 9, 2011, (iii) and the right to share in sales proceeds received by the Company if the Company sold the CSPR shares on or before June 9, 2013 for a price that is more than the Company paid for the shares. Mr. Lee requested deferral of the cash payments due totaling $185,511.34 and this amount continues to be owed by the Company to Mr. Lee. The company has not sold the CSPR shares, so no payment is due under (iii) in the preceding sentence. The number of eOn shares issued to Mr. Lee was calculated based on the average closing price of eOn Shares for thirty (30) trading days ending on June 8, 2010. The Company has the right to require Mr. Lee to repurchase the CSPR shares at the price paid by the Company on or after June 9, 2013, but before June 9, 2014. The purchase, combined with shares already owned by the Company, establishes eOn Communications as the majority shareholder of Cortelco Systems Puerto Rico.

On July 31, 2013, the Company sold the rights for the purchase, sale and licensing of its Millennium, eQueue and eConn product lines and related inventories to PiOn, Incorporated ("PiOn") located in Manchester, New Hampshire. The divestiture is consistent with the Company's plan to discontinue marketing efforts in the PBX and call center telecommunications systems segment and focus on IP voice and security endpoints within its Cortelco business segment. Under terms of the sale, the Company received cash proceeds of approximately $48,000 (received in August 2013), assigned approximately $52,000 in deferred revenue liabilities to the buyer and will receive up to three years of royalty payments based on future sales of products included in the Millennium, eQueue, and eConn product lines. Royalty payments over the contractual period are to be received 30 days after each calendar quarter with royalty revenue recognized when earned. The transaction resulted in a loss on sale of approximately $286,000, which is included in the consolidated statements of income in income from discontinued operations. Due to the full valuation allowance and historical net losses experienced by the communications systems and services business segment, no income tax expense has been attributed to this segment.

The Company's principal executive offices are located at 1703 Sawyer Road, Corinth, Mississippi 38834. The telephone number at that address is
(800) 955-5321. The Company also has offices located in San Jose, CA and Caguas, Puerto Rico.

BUSINESS OVERVIEW

On July 31, 2013, eOn sold the rights for the purchase, sale and licensing of its Milennium, eQueue and eConn product lines and related inventories to PiOn, Inc., a subsidiary of Professional Inbound, Inc., d/b/a Professional Teledata ("PiOn"). eOn has agreed with PiOn that it will not sell products or offer services that are competitive with the eOn Products for a period of five years. The purpose of this sale is to permit the Company to discontinue marketing efforts in the PBX and call center telecommunications systems segment and focus on IP voice and security endpoints within the Cortelco subsidiary. Upon conclusion of the sale to PiOn, eOn no longer offers any products directly, but all Company products are now offered and sold through eOn's subsidiaries, Cortelco and CSPR.

Cortelco is committed to fulfilling the communication needs of business and organizations. Cortelco's mission is to provide our customers with telephone products together with service and support. Cortelco has formed partnerships with distributors and provides the support needed to supply customers with sales, marketing, customer service, technical support and training.

Cortelco Systems Puerto Rico's operations include the sale and service of integrated communications systems, data equipment, security products, and telephony billing services.

Cortelco Products

The telephone industry has evolved in recent years with cordless telephones, cell phones, VOIP and other computer based voice/data products broadening their scope of application. Most homes in the United States have moved to cordless products and have perhaps one corded or wired telephone. Despite the decline in the number of corded telephones in the residential market, there has been less migration to cordless and cellular in the business/commercial, government and institutional applications. Cortelco is an industry leader that markets traditional design/style single line corded telephones and IP phones. In order to maintain this leadership, Cortelco must leverage its existing business relationships and introduce new products that address the needs of the converging communications marketplace.

CSPR Products

CSPR's core business includes the design, implementation and maintenance of solutions in the area of voice, data center and security. CSPR's other lines of business include the reselling of telephone lines, internet access, disaster recovery, business continuity and private cloud computing solutions. CSPR has partnered with strategic suppliers and utilizes a direct sales force to sell its services and products, most of which are installed by CSPR technicians.

CUSTOMERS

During fiscal year 2013, the Company recognized revenue from the federal government of $60,000, or .3% of total revenue. Revenue from four major distributors was $8,708,000 or 42% of net revenue for the year ended July 31, 2013. Revenues from two of these distributors, were $3,358,000 and $2,904,000 or 16% and 14%, respectively, of the net revenue for the year ended July 31, 2013.

STRATEGY

Key elements of our strategy for future growth are as follows:

- **Maintain and Develop Strategic Relationships**

  The Company believes that it is critical that strategic relationships with major distributors be maintained and enhanced. The Company seeks new relationships that fit and do not create conflicting efforts within its distributor network. In the highly competitive telephony business, Cortelco sells both traditional and IP products which enable the Company to enjoy good baseline revenue while at the same time establishing itself in the emerging IP market. Product sales are based on a reputation for quality and service that has been built over many years.

- **Production and Logistics**

  Unlike many providers of telephony products, the Company has extensive warehouse, shipping, repair, and final assembly capabilities at our Corinth, MS facility. This enables us to provide a level of service many of our competitors can not.

PRODUCTS AND PRODUCTS UNDER DEVELOPMENT

Cortelco

Cortelco focuses its resources on developing and marketing telephony products that help businesses communicate more effectively, efficiently, and reliably with their customers. Communications technology is a critical factor for businesses in their effort to gain a competitive edge. To enable businesses to succeed in this area, Cortelco offers corded and cordless analog and digital telephones capable of operating in the multiple PBX, Key System and Centrex environments.

- **Corded**

  Cortelco offers a wide variety of corded telephones in multiple colors and with multiple features (including message waiting indicator, flash, hold, mute, speakerphone, headset capable and one to four line models) for home, office, warehouse, shop or other business use. Models include traditional 2500 desk and 2554 wall models with multiple features and colors. Cortelco offers several models and model families which focus on business, schools, healthcare and other institutional applications. Cortelco also offers products that target markets for the aged and disabled with models that feature large easy-to-see dial buttons, emergency one-touch dial memory, Braille key pad, and large backlit LCD displays.

- **Cordless**

  Cortelco has new products slated for introduction, including DECT (Digital Enhanced Cordless Telecommunications) cordless as well as expanded corded line powered caller ID models.

- **SIP VOIP**

  Cortelco has introduced new SIP (Session Initiation Protocol) VoIP telephones to expand our Internet Protocol (IP) family of products, which have been certified to comply with equipment manufactured by the largest IP network equipment supplier in the United States. Further expansion of the IP family of products is planned.

- **IP Security**

  Cortelco has introduced new IP based access control and paging products.

SALES AND MARKETING

Cortelco products are sold through several distribution channels. An integral part of Cortelco's strategy is to strengthen and protect its relationships with resellers, distributors and other vendors to encourage these parties to recommend or distribute Cortelco's products and to add resellers both domestically and internationally. Cortelco currently invests, and intends to continue to invest, significant resources to expand its sales and marketing capabilities.

Cortelco's marketing objective is to offer competitively priced, but with superior quality and reliability, customer premise communication equipment through our distributor channel. Our distributor's target customer base consists of businesses, government, schools, healthcare and other institutions that seek legacy as well as IP telephone equipment.

RESEARCH AND DEVELOPMENT

The market for our products is characterized by rapidly changing technology, evolving industry standards and frequent product introductions. No major new internal development projects are planned at this time. We will continue to evaluate the competitive landscape and make a determination as to the return on investment on any new development on an ongoing basis.

Cortelco's approach is to identify market and product applications that fit core competencies as well as to seek new technologies. Cortelco does not engage in product development engineering, but rather partners with companies that either already have the desired technology or possess the technical background to develop the desired products. The merger with eOn provides additional technical resources that can be applied, on an as needed basis, to evaluate new products and particularly those for VOIP applications. Cortelco's "vendor/partner" strategy has resulted in favorable credit terms and the ability to buy small quantities of many models with various colors and features as well as avoid the large cost of baseline hardware and software engineering and development.

MANUFACTURING

Cortelco buys many of its product families from various offshore suppliers with whom we have worked for several years. We manufacture our 2500/2554/3554 product lines from both offshore and domestically produced components at our Corinth, Mississippi facility. We are dependent on sole source suppliers for certain components and finished goods. Interruptions in the availability of these items from our key suppliers could result in delays or reductions in product shipments, which could damage our customer relationships and harm our operating results. Finding alternate suppliers or modifying product designs to use alternative components could cause delays and result in additional expenses.

COMPETITION

We expect competition to intensify as competitors develop new products, new competitors enter the market, and companies with complementary products enter into strategic alliances.

Many of our current and potential competitors have significantly greater financial, technical, marketing, customer service and other resources, greater name recognition and a larger installed customer base than we do. Therefore, our competitors may be able to respond to new or emerging technologies and changes faster than we can. They may also be able to devote greater resources to the development, promotion and sale of their products. Actions by our competitors could result in price reductions, reduced margins and loss of market share, any of which would damage our business.

Our current and potential competitors can be grouped into the following categories:

- **Cortelco Competition**

  The market in which Cortelco participates is intensely competitive, rapidly evolving and subject to technological changes. Cortelco considers KGP Logistics (formerly Embarq or Sprint North Supply), Telematrix (SciTec), Vtech (AT&T), Aastra and Panasonic to be key competitors for current products. Key competitive factors include product quality, features, functionality, product differentiation and reputation. Cortelco does not sell into the extremely competitive and low margin retail market but rather sells products into the commercial, government, independent telephone companies and various institutional markets.

- **CSPR Competition**

  The telecommunications market in Puerto Rico is highly competitive with competition grouped into three categories: carriers, integrators and small owner-operated companies. Carriers such as Puerto Rico Telephone Company / Claro and Worldnet have large market penetration with large resources. Integrators such as Intech and Netxar are similar in size and expertise as CSPR. Small owner-operated companies such as NPR, Computer Paradise, Benchmark and Envision compete aggressively against CSPR due to their low overhead.

ENVIRONMENTAL LAW COMPLIANCE

Our operations are affected by federal, state and local environmental laws. The Company makes every effort to comply with all laws deemed applicable. While we cannot predict with certainty future costs for environmental compliance, we do not believe they will have a material effect on our earnings or our competitive position.

EMPLOYEES

As of July 31, 2013, we had 75 employees. All of our employees are in the United States (including 48 in Puerto Rico). The mix of employees was 18 in sales and marketing, 17 in general and administration, and 40 in manufacturing and distribution. The Company also utilizes temporary employees, independent contractors, and part-time employees as needed. None of our employees are represented by a labor union and we consider our employee relations to be good.

EXECUTIVE OFFICERS

The following table sets forth information about our Directors and Executive Officers:

NAME	AGE	POSITION
David S. Lee	**76**	**Chairman and Director**
Stephen Swartz	**58**	**Principal Executive Officer**
Lee M. Bowling	**58**	**Chief Financial Officer**

DAVID S. LEE, became the Chairman of the Board of eOn in 1991. From 2003 until June 2008, he served as President and Chief Executive Officer. Previously Mr. Lee served as Chief Executive Officer from May 2000 through August 2001. Mr. Lee is a director of Linear Technology Corporation, a semiconductor company, and Vizio, a consumer electronics company, Chairman of Symbio, a global outsourcing company, and serves as a Senior Advisor for Silver Lake, a private equity investment firm for technology. Mr. Lee is also Regent Emeritus for the University of California. From 1985 to 1988, Mr. Lee was President and Chairman of Data Technology Corporation, a computer peripheral company. Prior to 1985, he was Group Executive and Chairman of the Business Information Systems Group of ITT Corporation, a diversified company, and President of ITT Qume, formerly Qume Corporation, a computer systems peripherals company. In 1973, Mr. Lee co-founded Qume Corporation and was its Executive Vice President until the company was acquired by ITT Corporation in 1978. Mr. Lee received an M.S. from North Dakota State University and a B.S. and an honorary doctorate from Montana State University.

STEPHEN SWARTZ, became Principal Executive Officer of eOn in June 2012. Prior to joining the Company, Mr. Swartz was Vice President of Business Development for King Technologies, Inc., a service and distribution center for major brands of business telecommunications systems, from 2003 until 2008. Most recently, Mr. Swartz has served as Vice President of Sales for the Company. Mr. Swartz attended the University of Minnesota.

LEE M. BOWLING, became Chief Financial Officer of eOn in June 2009. Prior to joining the Company, Mr. Bowling has been Vice President and Chief Financial Officer of Cortelco, Inc. since 2004. Prior to 2004, Mr. Bowling was Controller of Cortelco, Inc from 1997 until 2004. Mr. Bowling currently serves as a director of Cortelco Systems Puerto Rico, a provider of installation and services of business telecom, data, and network security solutions throughout Puerto Rico. His experience also includes various supervisory and management positions with ITT Telecommunications and Telephone Electronics Corporation. Mr. Bowling holds a B.S. in Accounting from Mississippi State University.

ITEM 1A. RISK FACTORS.

RISK FACTORS

The following risk factors and other information contained in this report should be carefully considered. The risks and uncertainties described below are not the only ones we face. Additional risks and uncertainties that are not currently known to us or that we currently deem immaterial also may impair our business operations. If any of the following risks actually occurs, our business, financial condition, and operating results could be materially adversely affected.

In addition to the other information included in this report, the following factors should be considered in evaluating our business and future prospects.

As of July 31, 2013, eOn sold its products to PiOn in consideration of an initial cash payment and future royalty payments from PiOn's future sales of these products. As a result, the Company's future profitability is now dependent upon the revenues generated by the Company's subsidiaries, Cortelco and CSPR, and royalty payments from PiOn. Royalty payments are due only when and if eOn Products are sold by PiOn, so the amount of such future payments is uncertain.

Downturns in the U.S. and Puerto Rico economies adversely affect operating results.

Weakness in the U.S. and Puerto Rico economies has had a negative effect on our operating results. In an economic slowdown, we may also experience the negative effects of increased competitive pricing pressure and customer turnover. Worsening economic conditions or a prolonged or recurring recession could adversely affect our operating results. Further, we cannot assure you that an improvement in economic conditions will result in an immediate, if at all positive, improvement in our operating results or cash flows.

Fluctuations in our quarterly operating results could cause our stock price to decline.

Future operating results are likely to fluctuate significantly from quarter to quarter. Factors that could affect our quarterly operating results include:

- Delays or difficulties in introducing new products;
- Increasing expenses without commensurate revenue increases;
- Variations in the mix of products sold;
- Variations in the timing or size of orders from our customers;
- Delayed deliveries from suppliers and
- Price decreases and other actions by our competitors.

Our quarterly operating results are also likely to fluctuate due to seasonal factors. Some of our vertical markets, such as the U.S. government, educational and retail buyers, follow seasonal buying patterns and do not make substantial purchases during our fiscal quarters ending January 31. Thus, revenues in the quarters ending January 31 are often lower than in the previous quarters. Because of these and other factors, our operating results may not meet expectations in some future quarters, which could cause our stock price to decline.

Our products must respond to rapidly changing market needs and integrate with changing protocols to remain competitive.

The markets for our products are characterized by rapid technological change, frequent new product introductions, uncertain product life cycles and changing customer requirements. If we are not able to rapidly and efficiently develop new products and improve existing products to meet the changing needs of our customers and to adopt changing communications standards, our business, operating results and financial condition would be harmed.

Although the Company does not have any new products in internal development, Cortelco has partnered with companies that possess technical expertise to develop new products to meet changing market requirements.

There is no assurance that these partnerships will enable the Company to be competitive, considering the rapid technological changes in our industry.

We expect competition to intensify as competitors develop new products, new competitors enter the market, and companies with complementary products enter into strategic alliances.

Our current and potential competitors can be grouped into the following categories:

- VoIP telephone manufacturers, such as Polycom, Linksys, Snom, Grand Stream and Aastra;

- Telephony product suppliers such as KGP Logistics, Telematrix, Vtech, Aastra, and Panasonic.

Many of our current and potential competitors have significantly greater financial, technical, marketing, customer service and other resources, greater name and brand recognition and a larger installed customer base than we do. Therefore, our competitors may be able to respond to new or emerging technologies and changes faster than we can. They may also be able to devote greater resources to the development, promotion and sale of their products.

Actions by our competitors could result in price reductions, reduced margins and loss of market share, any of which would damage our business. We cannot assure you that we will be able to compete successfully against these competitors.

<u>We may not accurately forecast customer demand for our products.</u>

We use forecasts of product demand to make decisions regarding the investment of resources and production of our product. Failure to accurately predict high customer demand for a product can result in lost sales or low gross margins on product incurring higher costs to meet demand. Failure to accurately predict low demand for a product can result in excess inventory, lower cash flows and lower gross margins if price reductions are required to reduce inventories.

<u>Our strategic relationships with third parties may not be successful.</u>

Our ability to develop our business will depend on our ability to identify partnership opportunities and to enter into suitable commercial arrangements and to maintain close working relationships with these and other industry participants. Our success in this area will also depend on our ability to select and evaluate suitable projects, as well as to consummate transactions in a highly competitive environment.

To develop our business, we plan to use the business relationships of our management team in order to form strategic relationships. These relationships may take the form of joint ventures with other private parties and local government bodies and contractual arrangements with other companies. We may not be able to establish these strategic relationships, or, if established, may not be able to maintain these relationships, particularly if members of the management team leave us. In addition, the dynamics of our relationships with strategic partners may require us to incur expenses or undertake activities we would not otherwise be inclined to incur or undertake to fulfill our obligations to these partners and/or maintain these relationships. If we do not successfully establish or maintain strategic relationships, we may not be able to achieve our business goals and that could adversely affect our anticipated results of operations and financial condition.

<u>Delayed deliveries of components from our single source suppliers or third-party manufacturers could reduce our revenues or increase our costs.</u>

Interruptions in the availability of components from our key suppliers could result in delays or reductions in product shipments, which could damage our customer relationships and harm our operating results. Finding alternate suppliers or modifying product designs to use alternative components may cause delays and expenses. Further, a significant increase in the price of one or more third-party components or subassemblies could reduce our gross profit.

We buy many of our Cortelco products from various offshore suppliers with whom we have worked for several years. We are dependent on sole source suppliers for certain components and finished goods. Interruptions in the availability of these items from our key suppliers could result in delays or reductions in product shipments, which could damage our customer relationships and harm our operating results. Finding alternate suppliers or modifying product designs to use alternative components could cause delays and result in additional expenses.

<u>We may be unable to hire and retain engineering and sales and marketing personnel necessary to execute our business strategy.</u>

Competition for highly qualified personnel is intense due to the limited number of people available with the necessary technical skills, and we may not be able to attract, assimilate or retain such personnel. If we cannot attract, hire and retain sufficient qualified personnel, we may not be able to successfully develop, market and sell new products.

Our business could be harmed if we lose principal members of our management team.

We are highly dependent on the continued service of our management team. The loss of any key member of our management team may substantially disrupt our business and could harm our business, results of operations and financial condition. In addition, replacing management personnel could be costly and time consuming.

We are effectively controlled by our principal stockholders and management, which may limit your ability to influence stockholder matters.

As of September 30, 2013, our executive officers, directors and principal stockholders and their affiliates beneficially owned 861,669 shares, or 29.3% of the outstanding shares of common stock. Thus, they effectively control us and direct our affairs, including the election of directors and approval of significant corporate transactions. This concentration of ownership may have the effect of delaying, deferring or preventing a change in control of our company and some transactions may be more difficult or impossible without the support of these stockholders. The interests of these stockholders may conflict with those of other stockholders. We also conduct transactions with businesses in which our principal stockholders maintain interests. We believe that these transactions have been conducted on an arm's length basis, but we cannot assure you that these transactions would have the same terms if conducted with unrelated third parties.

Our products may have undetected faults leading to liability claims, which could harm our business.

Our products may contain undetected faults or failures. Any failures of our products could result in significant losses to our customers, particularly in mission-critical applications. A failure could also result in product returns and the loss of, or delay in, market acceptance of our products. In addition, any failure of our products could result in claims against us. Our purchase agreements with our customers typically contain provisions designed to limit our exposure to potential product liability claims. However, the limitation of liability provisions contained in our purchase agreements may not be effective as a result of federal, state or local laws or ordinances or unfavorable judicial decisions in the United States or other countries. We maintain insurance to protect against certain claims associated with the use of our products, but our insurance coverage may not adequately cover all possible claims asserted against us. In addition, even claims that ultimately are unsuccessful could be expensive to defend and consume management time and resources.

Our charter contains certain anti-takeover provisions that may discourage take-over attempts and may reduce our stock price.

Our board of directors has the authority to issue up to 10,000,000 shares of preferred stock and to determine the preferences, rights and privileges of those shares without any further vote or action by the stockholders. The rights of the holders of common stock may be harmed by the rights of the holders of any preferred stock that may be issued in the future. Certain provisions of our certificate of incorporation and bylaws may make it more difficult for a third party to acquire control of us without the consent of our board of directors, even if such changes were favored by a majority of the stockholders. These include provisions that provide for a staggered board of directors, prohibit stockholders from taking action by written consent and restrict the ability of stockholders to call special meetings.

Future sales of shares may decrease our stock price.

Sales of substantial amounts of our common stock in the public market, including shares issued upon the exercise of outstanding options, or the perception that such sales could occur, could reduce the market price of our common stock. These sales also might make it more difficult for us to raise funds through future offerings of common stock.

ITEM 2. PROPERTIES.

The Company leases property as detailed in the following table.

LOCATION	APPROXIMATE SIZE	LEASE EXPIRATION DATE	INTENDED USE
Corinth, Mississippi, USA	77,000 sq. ft.	Month-To-Month	Office/Warehouse
Caguas, Puerto Rico	17,236 sq. ft.	August 2019	Office/Warehouse

Aggregate annual rental payments for the Company's facilities are approximately $242,000. The Company's current facilities are generally adequate for anticipated needs over the next 12 to 24 months. The Company does not own any real property.

ITEM 3. LEGAL PROCEEDINGS.

As of the date eOn became the majority shareholder of CSPR, CSPR had a contingent liability associated with a property tax audit. The Municipal Revenue Collection Center of Puerto Rico ("CRIM") conducted a personal property tax audit for the years 1999 and 2000 which resulted in assessments of approximately $320,000 (approximately $551,000 as of August 21, 2013, including interest and penalties). The assessments arose from CRIM's disallowances of certain credits for overpayments from 1999 and 2000, claimed in the 2001 through 2005 personal property tax returns. During the audit process, CRIM alleged that some components of the inventory reported as exempt should be taxable. The parties met several times and an informal administrative hearing was held on September 27, 2006. CSPR submitted its position in writing within the time period provided by CRIM. CSPR believes it has strong arguments to support its position that the components of inventory qualify as raw material. However, management believes a settlement may be reached for an amount less than the assessment. Accordingly, the Company has recorded a liability of $96,000 as of July 31, 2013 and 2012.

From time to time, we may be a party to legal proceedings incidental to our business. We do not believe that any of these proceedings will have a material adverse effect on our business or financial condition.

PART II

ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS, AND ISSUER PURCHASES OF EQUITY SECURITIES.

Market Information

Our common stock began trading on the NASDAQ Stock Market under the symbol EONC on February 4, 2000. Prior to that date, there was no public market for our common stock. The following table sets forth, for the fiscal quarters indicated, the high and low sales prices of our common stock as reported by the NASDAQ Stock Market.

QUARTER ENDED	HIGH	LOW
July 31, 2013	$ 0.98	$ 0.71
April 30, 2013	$ 1.02	$ 0.71
January 31, 2013	$ 1.09	$ 0.70
October 31, 2012	$ 1.10	$ 0.77
July 31, 2012	$ 1.40	$ 0.85
April 30, 2012	$ 1.73	$ 1.20
January 31, 2012	$ 1.99	$ 1.00
October 31, 2011	$ 1.78	$ 1.35

The prices in the table above represent inter-dealer prices, without retail mark-up, mark-down or commission and may not reflect actual transactions.

Holders

As of September 30, 2013, there were approximately 225 shareholders of record of our common stock and, to the best of our knowledge, approximately 2,800 beneficial owners whose shares of common stock were held in the names of brokers, dealers, and clearing agencies.

Dividends

During fiscal 2013 and 2012, we did not declare any cash dividends on our capital stock. We currently intend to retain any earnings to finance the operation and expansion of our business and, therefore, do not expect to pay cash dividends on our common stock in the foreseeable future.

Securities Authorized for Issuance Under Equity Compensation Plans

Information with respect to Equity Compensation plans is set forth under Part III of this report under the caption "Item 11. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters."

Stock Repurchases in the Fourth Quarter

None.

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS.

OVERVIEW

eOn is a provider of communications solutions. Backed with over 20 years of telecommunications engineering expertise, the Company's solutions enable its customers to use technologies in order to communicate more effectively.

On July 31, 2013, the Company sold the rights for the purchase, sale and licensing of its Millennium, eQueue and eConn product lines and related inventories to PiOn, Incorporated ("PiOn") located in Manchester, New Hampshire. PiOn is a subsidiary of Professional Inbound, Inc., d/b/a Professional Teledata, Inc. The divestiture is consistent with the Company's plan to discontinue marketing efforts in the PBX and call center telecommunications systems segment and focus on IP voice and security endpoints within its Cortelco business segment. In accordance with the sale, all revenues and expenses of this operating segment are included in discontinued operations for all periods presented.

The Company completed its acquisition of Cortelco on April 1, 2009. For additional information, refer to the amended and restated Merger Agreement among the Company, Cortelco Holding, and a subsidiary of the Company, setting forth the terms and conditions of the acquisition, filed as an exhibit to the Company 8-K dated as of December 18, 2008. Cortelco, eOn's wholly owned subsidiary, provides customer premise equipment (CPE) commercial grade telephone products primarily for use in businesses, government agencies, colleges and universities, telephone companies, and utilities. Cortelco has formed strategic alliances with distributors and provides the support needed to supply customers with quality sales, marketing, customer service, technical support, and training.

eOn is the majority shareholder of CSPR. CSPR's operations include the sale and service of integrated communications systems, data equipment, security products and telephony billing services.

CRITICAL ACCOUNTING POLICIES

Critical accounting policies are defined as those that are reflective of significant judgments and uncertainties and that could potentially result in materially different results under different assumptions and conditions. We believe that our critical accounting policies are limited to those described below. For a detailed description of our accounting policies, see Footnote 2, "Summary of Significant Accounting Policies," in the notes to the consolidated financial statements.

Revenue Recognition

The Company's revenues from its three product lines are the result of separate, individual deliverables:

	Type of Revenues Earned		
Product Line	**Equipment/Software**	**Professional Services**	**Maintenance Contracts**
Cortelco Products	Individual sale	-	-
CSPR Products	Individual sale	Individual sale	Individual sale
CSPR Telephony Billing	-	Individual sale	-

Telephony billing revenues from the resale of Puerto Rico Telephone services are recognized monthly as services are provided to the customers.

Revenues from our products are recognized only when persuasive evidence of an arrangement exists, delivery has occurred or services have been rendered, the price to the customer is fixed or determinable, and collectibility is reasonably assured. Generally, revenue is recognized (1) upon shipment for equipment and software, (2) as work is performed for professional services, and (3) in equal periodic amounts over the term of the contract for software and hardware maintenance. The Company's revenue recognition policies are in accordance with Staff Accounting Bulletin No. 104, *Revenue Recognition*, and Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") Topic 985, *Software.*

Product Warranties

We generally provide customers a one year product warranty from the date of purchase. Warranties for the Cortelco and CSPR product lines range from one to five years based on the product purchased. We estimate the costs of satisfying warranty claims based on analysis of past claims experience and provide for these future claims in the period that revenue is recognized. The cost of satisfying warranty claims, which approximates 0.5% - 1.0% of product revenues, has historically been comprised of materials and direct labor costs. We perform quarterly evaluations of these estimates and any changes in estimates, which could potentially be significant, are included in earnings in the period in which the evaluations are completed.

Inventory Obsolescence

We carry inventories at the lower of cost or market. This policy depends on the timely identification of those items included in inventory whose market price may have declined below carrying value, such as slow-moving or obsolete items, and we record any necessary valuation reserves. We perform an analysis of slow-moving or obsolete inventory on a quarterly basis and any necessary valuation reserves, which could potentially be significant, are included in earnings in the period in which the evaluations are completed.

Allowance for Uncollectible Accounts Receivable

We typically grant standard credit terms to customers in good credit standing. As a result, we must estimate the portion of our accounts receivable that are uncollectible and record any necessary valuation reserves. We generally reserve for estimated uncollectible accounts on a customer-by-customer basis, which requires us to make judgments about each individual customer's ability and intention to fully pay balances payable to us. We make these judgments based on our knowledge of and relationships with our customers and we update our estimates on a monthly basis. Any changes in estimate, which can be significant, are included in earnings in the period in which the change in estimate occurs.

Stock-Based Compensation

Stock-based compensation cost is measured at the grant date based on the fair value of the award and is recognized as expense on a straight-line basis over the requisite service period, which is the vesting period.

We currently use the Black-Scholes option pricing model to determine the fair value of stock options and employee stock purchase plan shares. The determination of the fair value of stock-based payment awards on the date of grant using an option-pricing model is affected by our stock price as well as assumptions regarding a number of complex and subjective variables. These variables include our expected stock price volatility over the term of the awards, actual and projected employee stock option exercise behaviors, risk-free interest rate and expected dividends.

The fair value of each option award is estimated on the date of grant using the Black-Scholes option-pricing model. Expected volatilities are based on historical daily closing prices adjusted for our expected future volatility. The Company believes that implied volatility is more reflective of market conditions and a better indicator of expected volatility than historical volatility. The Company uses historical information to calculate the expected life of option grants. The Company believes that historical information is currently reflective of the economic life of outstanding option grants. The dividend yield is determined by dividing the expected per share dividend during the coming year by the average fair market value of the stock during the period. The Company has not historically declared any cash dividends on our common stock. We currently intend to retain any earnings to finance the operation and expansion of our business and therefore do not expect to pay cash dividends on our common stock in the foreseeable future. The risk-free interest rate is based on the U.S. Treasury yield curve in effect at the time of grant. The estimated fair value of the employee stock options are amortized to expense using the straight-line method over the vesting period.

If factors change and we employ different assumptions for estimating stock-based compensation expense in future periods or if we decide to use a different valuation model, the future periods may differ significantly from what we have recorded in the current period and could materially affect our operating income, net income and net income per share.

The Black-Scholes option-pricing model was developed for use in estimating the fair value of traded options that have no vesting restrictions and are fully transferable, characteristics not present in our option grants and employee stock purchase plan shares. Existing valuation models, including the Black-Scholes and lattice binomial models, may not provide reliable measures of the fair values of our stock-based compensation. Consequently, there is a risk that our estimates of the fair values of our stock-based compensation awards on the grant dates may bear little resemblance to the actual values realized upon the exercise, expiration, early termination or forfeiture of those stock-based payments in the future. Certain stock-based payments, such as employee stock options, may expire worthless or otherwise result in zero intrinsic value as compared to the fair values originally estimated on the grant date and reported in our financial statements. Alternatively, value may be realized from these instruments that are significantly higher than the fair values originally estimated on the grant date and reported in our financial statements. There currently is no market-based mechanism or other practical application to verify the reliability and accuracy of the estimates stemming from these valuation models, nor is there a means to compare and adjust the estimates to actual values.

See Note 11 Stock - Based Compensation to the consolidated financial statements for further information regarding ASC Topic 718, *Stock Compensation.*

Deferred Taxes

We recognize deferred tax assets and liabilities based on the differences between the financial statement carrying amounts and the tax bases of assets and liabilities. Because of substantial losses from inception through fiscal year 2013, the Company has available net operating loss (“NOL”) carry-forwards of approximately $28,000,000.

Accounting principles generally accepted in the United States of America require the recording of a valuation allowance against the net deferred tax asset associated with this NOL and other timing differences if it is “more likely than not” that the Company will not be able to utilize the NOL to offset future taxes. Due to the size of the NOL carry-forward in relation to the Company’s taxable income in recent years and to the continuing uncertainties surrounding future earnings, to the extent that it is more likely than not that deferred tax assets may not be realized, management has provided for an allowance on its net deferred tax assets. The Company currently provides for income taxes only to the extent of expected cash payments of taxes, primarily state and foreign income taxes.

Should the Company’s earnings trend cause management to conclude that it is more likely than not the Company will realize all or a material portion of the NOL carry-forward, management would record the estimated net realizable value of its deferred tax asset at that time. The Company would then provide for income taxes at a rate equal to its combined federal and state effective rates, which would approximate 39% under current tax rates. Subsequent revisions to the estimated net realizable value of the deferred tax asset could cause the provision for income taxes to vary significantly from period to period, although the Company’s cash tax payments would remain unaffected until the benefit of the NOL is utilized.

RESULTS OF OPERATIONS

The following table presents our statements of income expressed as a percentage of net revenues for fiscal years 2013 and 2012:

	For the Years Ended July 31,	
	2013	2012
Net revenue	100.0%	100.0%
Cost of revenue	76.7%	75.9%
Gross profit	23.3%	24.1%
Operating expense:		
Selling, general and administrative	23.8%	22.9%
Other	0.1%	0.1%
Total operating expense	23.9%	23.0%
Income (loss) from operations	(0.6)%	1.1%
Interest income (expense), net	1.5%	(0.8)%
Income from continuing operations before income taxes	0.9%	0.3%
Income tax expense from continuing operations	0.1%	0.1%
Income from continuing operations	0.8%	0.2%
Income from discontinued operations	0.3%	2.2%
Net income	1.1%	2.4%
Less: net income attributable to the noncontrolling interest	0.7%	0.2%
Net income attributable to eOn Communications Corp. shareholders	0.4%	2.2%

NET REVENUE

Revenue is comprised of product revenue generated by our Cortelco and CSPR product lines and maintenance and professional service revenue generated by our CSPR operations. Net revenue from continuing operations decreased approximately .4% to $20,586,000 for the year ended July 31, 2013 from $20,671,000 for the previous fiscal year. Additional CSPR revenue is offset by lower Cortelco revenue compared to the prior year.

COST OF REVENUE AND GROSS PROFIT

Cost of revenue is primarily comprised of purchases from our contract manufacturers and other suppliers and costs incurred for final assembly of our phones and systems. Gross profit from continuing operations decreased approximately 4% to $4,806,000 for the year ended July 31, 2013 compared to $4,992,000 for the previous fiscal year. The decrease in gross profit reflects lower Cortelco gross profit partially offset by higher CSPR gross profit. Our gross margins were 23% and 24% for fiscal years 2013 and 2012, respectively.

SELLING, GENERAL, AND ADMINISTRATIVE EXPENSE

Selling, general and administrative expenses from continuing operations were $4,902,000 for the year ended July 31, 2013, an increase of 4% from $4,730,000 in the prior fiscal year. The increase reflects higher personnel costs, marketing and other administrative expenses.

OTHER EXPENSE

Other expense is primarily comprised of bank service charges, franchise taxes, currency differences and gains or losses from disposal of fixed assets. Other expense was $24,000 in fiscal 2013 compared to $25,000 in fiscal year 2012.

INTEREST INCOME (EXPENSE), NET

Interest Income was $306,000 in fiscal year 2013 compared to interest expense of $160,000 in fiscal year 2012. Fiscal year 2013 reflects imputed interest expense of $487,000 offset by imputed interest income of ($796,000) on the notes payable to the former Cortelco shareholders compared to imputed interest expense of $518,000 and imputed interest income of ($368,000) in fiscal year 2012 on the notes payable to the former Cortelco shareholders. Interest expense on the notes payable was imputed at 15.22%. Imputed interest income resulted from changes in the estimated timing of future payments required on the notes payable to former Cortelco shareholders.

INCOME TAX EXPENSE

Income tax expense totaled $20,000 in fiscal 2013 and $20,000 in fiscal 2012. Income tax expense differed from tax expense at the statutory federal income tax rate due primarily to state income taxes and the change in valuation allowance established.

DISCONTINUED OPERATIONS

Discontinued operations represent reclassification of operating results, including loss on sale, of our eQueue, Millennium, and eConn product lines. The Sale was completed in fiscal year 2013. We have reclassified current and prior period operating results, including the loss on the sale, to discontinued operations.

NET INCOME

Net income was $68,000 in fiscal year 2013 compared to net income of $464,000 in fiscal year 2012. Reported net income has been materially impacted by the imputed interest income (expense) due to the amortization of the difference between the face value of the contingent obligation to the former Cortelco shareholders and the discounted present value of the note payable recorded on the balance sheet.

LIQUIDITY AND CAPITAL RESOURCES

As of July 31, 2013, the Company had cash and cash equivalents of $1,778,000 compared to $2,162,000 as of July 31, 2012. The decrease in cash and cash equivalents of $384,000 during fiscal year 2013 was primarily attributable to higher accounts receivable, higher inventories, lower accrued expenses, purchases of equipment and repayments of notes partially offset by lower prepaid assets and higher accounts payable. The Company had a working capital balance of $7,736,000 at July 31, 2013.

Our operating activities resulted in net cash inflows of $113,000 for fiscal year 2013 compared to net cash inflows of $1,002,000 for fiscal year 2012. The decrease in net operating cash flow for the current fiscal year primarily reflects net income (adjusted for non cash items) for the year, higher accounts receivable, higher inventories and lower accrued expenses partially offset by lower prepaid assets and higher accounts payable.

Cash flows from the sale of discontinued operations are reported in net cash provided by operating activities. The cash flows from the sale of discontinued operations consists of the sale of inventories of approximately $386,000 partially offset by receivable from sale of business of approximately $48,000 and assignment of approximately $52,000 of deferred revenue liabilities to the buyer. Cash flows from discontinued operations are not expected to be material in the future.

Our investing activities resulted in net cash outflows of $288,000 for fiscal year 2013 compared to net cash outflows of $232,000 in fiscal year 2012. Cash used in investing activities for fiscal year 2013 and 2012 was for capital expenditures.

Our financing activities resulted in net cash outflows of $209,000 in fiscal year 2013 compared to net cash outflows of $150,000 in fiscal year 2012. Cash used in financing activities during fiscal year 2013 was attributable to payments on the Cortelco Note and CSPR third party note. Cash used in financing activities during fiscal year 2012 was attributable to payments on the Cortelco Note partially offset by purchases under the Employee Stock Purchase Plan.

We believe that our available funds will satisfy our projected working capital and capital expenditure requirements for at least the next twelve months. To the extent future revenues are not realized or we grow more rapidly than expected, we may need additional cash to finance our operating activities and capital expenditures. Should we need financing, there can be no assurances that financing will be available to us on economically acceptable terms.

Due to the current state of the credit markets, we are not able to predict with any certainty whether we could obtain debt or equity financing to provide additional sources of liquidity, should the need arise, at favorable rates.

Liquidity

Since inception, the Company has financed its operations through debt financing and proceeds generated from public offerings of its common stock. The proceeds from these transactions have been used primarily to fund research and development costs, and selling, general and administrative expenses.

The Company has incurred substantial net operating losses since inception and negative cash flows from operating activities resulting in an accumulated deficit of $49,237,000. The Company recorded net income of $68,000 in fiscal year 2013. As of July 31, 2013, the Company had $1,778,000 in cash and cash equivalents available to fund operations.

The Company is largely dependent on available cash and operating cash flow to finance operations and meet its other capital needs. Cortelco has a line of credit based on an asset formula involving accounts receivable and inventory up to a maximum of $1,000,000, none of which was drawn on as of July 31, 2013. The line of credit is secured by substantially all of Cortelco's assets. The loan's interest rate is floating based on LIBOR and expires December 15, 2013. CSPR has a $800,000 revolving line of credit secured by trade accounts receivable and bears interest at 2% over prime. The line of credit, none of which was drawn on as of July 31, 2013, is subject to certain covenant requirements and expires November 30, 2013. If such sources are not sufficient, alternative funding sources may not be available. The Company believes that cash on hand, short-term marketable securities, and the lines of credit plus the additional liquidity that it expects to generate from operations will be sufficient to cover its working capital and fund expected capital expenditures over at least the next twelve months.

Capital Resources

The Company believes that the cash, short-term marketable securities on hand, lines of credit, plus the additional liquidity that we expect to generate from operations will be sufficient to meet the cash requirements of the business including capital expenditures and working capital needs for at least the next twelve months. Should actual results differ significantly from our current assumptions, our liquidity position could be adversely affected and the Company could be in a position that would require the Company to raise additional capital, which may not be available to the Company or may not be available on acceptable terms.

COMMITMENTS AND CONTINGENCIES

Contractual Obligations

The Company is obligated to make future payments under various contracts it has entered into, including amounts pursuant to non-cancelable operating lease agreements for office and warehouse space and inventory purchase obligations. Expected future minimum contractual cash obligations for the next five years and in the aggregate at July 31, 2013 are as follows (in thousands):

	Payments Due by Period for the Years Ending July 31,						
	Total	2014	2015	2016	2017	2018	Thereafter
Notes payable (1)	$ 8,132	$ 374	$ 546	$ 630	$ 604	$ 550	$ 5,428
Operating leases (2)	672	110	116	112	111	111	112
Purchase obligations (3)	1,072	1,072	-	-	-	-	-
Total	$ 9,876	$ 1,556	$ 662	$ 742	$ 715	$ 661	$ 5,540

(1) Actual payments under the note payable to Cortelco shareholders ("Cortelco Note"), which are to be based on future earnings of Cortelco, may differ significantly from the projected payments estimated at the Cortelco Note's inception. These differences may result in significant fluctuations in periodic interest expense in order to properly reflect interest expense over the actual life of the Cortelco Note.

(2) Non-cancelable operating leases do not include payments due under renewals to the original lease term.

(3) Outstanding commitments for purchases of inventory under open purchase orders.

The Company leases approximately 77,236 square feet of office and warehouse space in Corinth, Mississippi. The month-to-month lease has monthly rent of approximately $11,500 and is not subject to a formal lease agreement or term.

CSPR leases approximately 17,236 square feet of office and warehouse space from the Puerto Rico Industrial Development Company. The lease expires in August 2019 and has monthly rent of approximately $8,600.

The Company is involved in various matters of litigation, claims, and assessments arising in the ordinary course of business. In the opinion of management, the eventual disposition of these matters will not have a material adverse effect on the financial statements.

At the time the Company became the majority shareholder, CSPR had a contingent liability associated with a property tax audit. The Municipal Revenue Collection Center of Puerto Rico ("CRIM") conducted a personal property tax audit for the years 1999 and 2000 which resulted in assessments of approximately $320,000 (approximately $551,000 as of August 21, 2013, including interest and penalties). The assessments arose from CRIM's disallowances of certain credits for overpayments from 1999 and 2000, claimed in the 2001 through 2005 personal property tax returns. During the audit process, CRIM alleged that some components of the inventory reported as exempt should be taxable. The parties met several times and an informal administrative hearing was held on September 27, 2006. CSPR submitted its position in writing within the time period provided by CRIM. CSPR believes it has strong arguments to support its position that the components of inventory qualify as raw material. However, management believes a settlement may be reached for an amount less than the assessment. Accordingly, the Company has recorded a liability of $96,000 as of July 31, 2013 and 2012.

ITEM 8. FINANCIAL STATEMENTS.

INDEX TO CONSOLIDATED FINANCIAL STATEMENTS

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Shareholders
eOn Communications Corporation

We have audited the accompanying consolidated balance sheets of eOn Communications Corporation and Subsidiaries (the "Company") as of July 31, 2013 and 2012, and the related consolidated statements of income and comprehensive income, stockholders' equity, and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The Company is not required to have, nor were we engaged to perform an audit of its internal control over financial reporting. Our audits included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Company as of July 31, 2013 and 2012, and the results of its operations and its cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

/s/ Horne LLP

Ridgeland, Mississippi

November 12, 2013

EON COMMUNICATIONS CORPORATION AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
(In thousands, except share amounts)

	As of July 31,	
	2013	**2012**
ASSETS		
Current assets:		
Cash and cash equivalents	$ 1,778	$ 2,162
Trade accounts receivable, net of allowance of $285 and $555, respectively	4,521	4,370
Inventories	5,026	5,261
Prepaid and other current assets	257	387
Total current assets	11,582	12,180
Property and equipment, net	503	352
Other non current assets	40	84
Investments	990	990
Total assets	$ 13,115	$ 13,606
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Trade accounts payable	$ 2,297	$ 2,059
Current maturities of notes payable	37	37
Current maturities of notes payable - related parties	330	709
Accrued expenses and other	1,182	1,622
Total current liabilities	3,846	4,427
Notes payable, net of current maturities	37	74
Notes payable - related parties, net of current maturities	2,859	2,959
Total liabilities	6,742	7,460
Commitments and contingencies		
Stockholders' equity:		
Preferred stock, $0.001 par value, (10,000,000 shares authorized, no shares issued and outstanding)	-	-
Common stock, $0.005 par value (10,000,000 shares authorized, 3,016,758 shares issued)	15	15
Additional paid-in capital	56,305	56,304
Treasury stock, at cost (139,084 and 139,404 shares, respectively)	(1,497)	(1,501)
Accumulated deficit	(49,237)	(49,305)
Total eOn Communications Corp. stockholders' equity	5,586	5,513
Noncontrolling interest	787	633
Total stockholders' equity	6,373	6,146
Total liabilities and stockholders' equity	$ 13,115	$ 13,606

See accompanying notes to the consolidated financial statements.

EON COMMUNICATIONS CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF INCOME AND COMPREHENSIVE INCOME
(In thousands, except per share amounts)

	For the Years Ended July 31,	
	2013	**2012**
REVENUE		
Products	$ 17,396	$ 17,325
Services	3,190	3,346
Net revenue	20,586	20,671
COST OF REVENUE		
Products	13,854	13,424
Services	1,926	2,255
Cost of revenue	15,780	15,679
Gross profit	4,806	4,992
OPERATING EXPENSE		
Selling, general and administrative	4,902	4,730
Other	24	25
Total operating expense	4,926	4,755
Income (loss) from operations	(120)	237
OTHER INCOME (EXPENSE)		
Interest income (expense), net	306	(160)
Total other income (expense)	306	(160)
Income from continuing operations before income taxes	186	77
Income tax expense from continuing operations	20	20
Income from continuing operations	166	57
DISCONTINUED OPERATIONS		
Income from discontinued operations	56	455
Net income	222	512
Less: Net income attributable to the noncontrolling interest	154	48
Net income attributable to common shareholders	$ 68	$ 464
Weighted average shares outstanding:		
Basic	2,877	2,873
Diluted	2,877	2,873
Basic and diluted income per share		
Continuing operations	$ -	$ -
Discontinued operations	0.02	0.16
Total	$ 0.02	$ 0.16
Comprehensive income		
Net income	$ 222	$ 512
Other comprehensive loss	-	(5)
Comprehensive income	$ 222	$ 507

See accompanying notes to the consolidated financial statements.

EON COMMUNICATIONS CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
(In thousands)

	For the Years Ended July 31,	
	2013	**2012**
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income	$ 222	$ 512
Adjustments to reconcile net income to net cash provided by operating activities:		
Loss on sale of discontinued operations	286	-
Stock-based compensation expense	4	7
Depreciation and amortization	134	105
Provision for doubtful trade accounts receivable	23	46
Provision for obsolete inventory	40	119
Loss (gain) on disposal of fixed assets	3	(2)
Imputed interest expense on notes payable	(306)	158
Other	-	(5)
Changes in net assets and liabilities, net of effects of business acquisition		
Trade accounts receivable	(126)	759
Inventories	(191)	136
Prepaid and other assets	174	(155)
Trade accounts payable	238	(601)
Accrued expenses and other	(388)	(77)
Net cash provided by operating activities	113	1,002
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of property and equipment	(288)	(232)
Net cash used in investing activities	(288)	(232)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Repayment of note payable	(210)	(168)
Proceeds from sale of treasury stock	1	-
Proceeds from employee stock purchase plan	-	18
Net cash used in financing activities	(209)	(150)
Net increase (decrease) in cash and cash equivalents	(384)	620
Cash and cash equivalents, beginning of period	2,162	1,542
Cash and cash equivalents, end of period	$ 1,778	$ 2,162
Non cash investing and financing activity:		
Note payable for purchase of equipment	$ -	$ 111
Receivable from sale of business	$ 48	$ -
Supplemental cash flow information:		
Income taxes paid	$ 12	$ 60

See accompanying notes to the consolidated financial statements.

EON COMMUNICATIONS CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
(In thousands, except share amounts)

	Common Stock		Additional Paid-In	Treasury Stock		Accumulated	Accumulated Other Comprehensive	Noncontrolling	Total Stockholders'
	Shares	Amount	Capital	Shares	Amount	Deficit	Income	Interest	Equity
Balance at July 31, 2011	3,003,985	$ 15	$ 56,281	(139,580)	$ (1,503)	$ (49,769)	$ 5	$ 585	$ 5,614
Issuance of common stock under employee stock purchase plan	12,773		18						18
Stock-based compensation expense, stock options and ESPP			7						7
Reissuance of treasury stock			(2)	176	2				-
Comprehensive income:									
Other							(5)		(5)
Net income						464		48	512
Comprehensive income									507
Balance at July 31, 2012	3,016,758	15	56,304	(139,404)	(1,501)	(49,305)	-	633	6,146
Stock-based compensation expense, stock options and ESPP			4						4
Reissuance of treasury stock			(3)	320	4				1
Comprehensive income:									
Net income						68		154	222
Comprehensive income									222
Balance at July 31, 2013	3,016,758	$ 15	$ 56,305	(139,084)	$ (1,497)	$ (49,237)	$ -	$ 787	$ 6,373

See accompanying notes to the consolidated financial statements.

1. Description of Business

eOn Communications Corporation™ and subsidiaries ("eOn" or the "Company") is a provider of communications solutions. Backed with over 20 years of telecommunications expertise, the Company's solutions enable customers to use its technologies in order to communicate more effectively. Through its wholly-owned subsidiary, Cortelco Systems Holding Corp. ("Cortelco"), the Company provides commercial grade telephone products primarily for use in businesses, government agencies, colleges and universities, telephone companies, and utilities. Cortelco sells primarily through large national distributors with whom it has long-term relationships. Through its majority-owned subsidiary, Cortelco Systems Puerto Rico ("CSPR"), the Company provides sales and service of integrated communications systems, data equipment, security products, and telephony billing services.

2. Summary of Significant Accounting Policies

(a) Principles of Consolidation

The accompanying consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America, and include the accounts of eOn Communications Corporation, Cortelco acquired on April 1, 2009, and CSPR control of which was acquired on June 9, 2010. All significant inter-company accounts and transactions have been eliminated in consolidation.

(b) Cash and Cash Equivalents

All highly liquid investments with a maturity date of three months or less when purchased are considered to be cash equivalents.

(c) Trade Accounts Receivable

Trade accounts receivable are stated net of allowances for doubtful accounts. The Company typically grants standard credit terms to customers in good credit standing. As a result, the Company must estimate the portion of accounts receivable that are uncollectible and record any necessary valuation reserves. The Company generally reserves for estimated uncollectible accounts on a customer-by-customer basis, which requires judgment about each individual customer's ability and intention to fully pay account balances. The Company makes these judgments based on knowledge of and relationships with customers and current economic trends, and updates estimates on a monthly basis. Any changes in estimate, which can be significant, are included in earnings in the period in which the change in estimate occurs.

(d) Inventories

Inventories consist of phones and component parts and are valued at the lower of cost or market with cost determined utilizing standard cost which approximates the first-in, first-out (FIFO) method. The Company performs an analysis of slow-moving or obsolete inventory on a quarterly basis and any changes in valuation reserves, which could potentially be significant, are included in earnings in the period in which the evaluations are completed.

(e) Property and Equipment

Property and equipment are stated at cost. Depreciation is provided using the straight-line method for financial reporting purposes and accelerated methods for income tax reporting purposes over the estimated useful lives of the assets, generally three to five years. Maintenance and repair costs are charged to expense as incurred.

(f) Investments

The equity method of accounting is used when the Company has a 20% to 50% interest in other entities or when we exercise significant influence over the entity. Under the equity method, original investments are recorded at cost and adjusted by the Company's share of undistributed earnings or losses of these entities. Investments in which the Company has less than a 20% interest and in which it does not have the ability to exercise significant influence over the investee are initially recorded at cost, and periodically reviewed for impairment.

The Company evaluates its cost method investments for impairment on a quarterly basis in accordance with ASC 325, *Cost Method Investments* ("ASC 325"), which specifically addresses accounting for cost method investments subsequent to initial measurement. An impairment charge is recognized whenever a decline in value of an investment below its carrying amount is determined to be other-than-temporary. In determining if a decline is other-than-temporary, factors such as the length of time and extent to which the fair value of the investment has been less than the carrying amount of the investment, the near-term and longer-term operating and financial prospects of the affiliate and the intent and ability to hold the investment for a period of time sufficient to allow for any anticipated recovery are considered.

(g) Stock Compensation Plans

The Company accounts for stock-based compensation under ASC Topic 718, *Stock Compensation* ("Topic 718"). Topic 718 requires the measurement and recognition of compensation expense for all share-based payment awards based on estimated fair values. Topic 718 also required the benefits of tax deductions in excess of recognized compensation cost to be recorded as financing cash flows.

(h) Product Warranties

Warranties for the Cortelco and CSPR product lines range from one to five years based upon the product purchased. The Company estimates the costs of satisfying warranty claims based on analysis of past claims experience and provides for these future claims in the period that revenue is recognized. The cost of satisfying warranty claims, which approximates 0.5% - 1.0% of product revenues, has historically been comprised of materials and direct labor costs. The Company performs quarterly evaluations of these estimates and any changes in estimates, which could potentially be significant, are included in earnings in the period in which the evaluations are completed.

(i) Income Taxes

Deferred income taxes reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes. A valuation allowance is provided for deferred tax assets when management is unable to conclude that it is more likely than not that the asset will be realized.

The impact of an uncertain income tax position on the income tax return must be recognized at the largest amount that is more-likely-than-not to be sustained upon audit by the relevant taxing authority. An uncertain income tax position will not be recognized if it has less than a 50% likelihood of being sustained. The Company classifies interest and penalties, if any, as a component of its income tax provision.

(j) Revenue Recognition

The Company's revenues from its three product lines are the result of separate, individual deliverables:

	Type of Revenues Earned		
Product Line	**Equipment/Software**	**Professional Services**	**Maintenance Contracts**
Cortelco Products	Individual sale	-	-
CSPR Products	Individual sale	Individual sale	Individual sale
CSPR Telephony Billing	-	Individual sale	-

Cortelco sells corded and cordless analog and digital telephones capable of operating in the multiple PBX, Key System and Centrex environments primarily through stocking distributors.

Telephony billing revenues from the resale of Puerto Rico Telephone services are recognized monthly as services are provided to the customers.

The Company records shipping and handling fees billed to customers as revenue, and shipping and handling costs incurred with the delivery of products as cost of sales.

Revenues from our products are recognized only when persuasive evidence of an arrangement exists, delivery has occurred or services have been rendered, the price to the customer is fixed or determinable, and collectibility is reasonably assured. Generally, revenue is recognized (1) upon shipment for equipment and software, (2) as work is performed for professional services and (3) in equal periodic amounts over the term of the contract for software and hardware maintenance. The Company's revenue recognition policies are in accordance with SEC Staff Accounting Bulletin No. 104, *Revenue Recognition* and ASC Topic 985, *Software*.

(k) Earnings Per Share

Basic EPS is computed by dividing income or loss available to common stockholders by the weighted average number of common shares outstanding during the year. Diluted EPS is similar to basic EPS except that the weighted average number of common shares outstanding is increased to include the number of additional common shares that would have been outstanding if the potentially dilutive common shares, such as options, had been issued.

(l) Fair Value of Financial Instruments

Accounting standards define fair value as the price that would be received from selling an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. When determining the fair value measurements for assets and liabilities required or permitted to be recorded at fair value, the Company considers the principal or most advantageous market in which the Company would transact, and considers assumptions that market participants would use when pricing the asset or liability, such as inherent risk, transfer restrictions, and risk of non performance.

Accounting standards have established a fair value hierarchy that requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. A financial instrument's categorization within the fair value hierarchy is based upon the lowest level of input that is significant to the fair value measurement. Accounting standards have established three levels of inputs that may be used to measure fair value:

- *Level 1*: Quoted prices in active markets for identical assets and liabilities.
- *Level 2*: Observable inputs other than Level 1 prices such as quoted prices for similar assets or liabilities, quoted prices in markets with insufficient volume or infrequent transactions (less active markets), or model-derived valuations in which all significant inputs are observable or can be derived principally from or corroborated by observable market data for substantially the full term of the assets or liabilities.

- *Level 3*: Prices or valuation techniques that require inputs that are both significant to the fair value measurement and unobservable (supported by little or no market activity).

The carrying amounts of financial instruments such as cash and cash equivalents, accounts receivable, and accounts payable approximate their fair value due to the short-term nature of the instruments.

The following table presents information about the liabilities recorded at fair value at July 31, 2013, in the balance sheets (in thousands):

	Fair Value Measurements at July 31, 2013			
	Quoted Prices In Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total at July 31, 2013
Notes payable-related parties	$ -	$ -	$ 3,189	$ 3,189
Total	$ -	$ -	$ 3,189	$ 3,189

The following table presents information about the liabilities recorded at fair value at July 31, 2012, in the balance sheets (in thousands):

	Fair Value Measurements at July 31, 2012			
	Quoted Prices In Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total at July 31, 2012
Notes payable-related parties	$ -	$ -	$ 3,668	$ 3,668
Total	$ -	$ -	$ 3,668	$ 3,668

As of July 31, 2013 the Company owns approximately four percent of Symbio Investment Corp. Symbio Investment Corp. is a holding company whose primary asset is an approximate twenty percent investment in Symbio S.A. Symbio S.A.'s principal business is to provide outsourced information technology and research and development services globally at sites located in the United States, Finland, Sweden, China and Taiwan. The Company believes, based on recent stock issuances by Symbio S.A. in 2012, that the fair value of the Company's investment in Symbio may be less than the Company's cost of $990,000. There are no quoted market prices for the Company's investment in Symbio Investment Corp., and sufficient information is not readily available for the Company to utilize a valuation model to determine its fair value without incurring excessive costs relative to the materiality of the investment. Accordingly, the Company has not estimated the fair value of its investment in Symbio Investment Corp. at July 31, 2013. Based on the Company's evaluation of the near-term prospects of Symbio Investment Corp. and the Company's ability and intent to hold the investment for a reasonable period of time sufficient for a forecasted recovery of fair value, the Company does not consider any potential impairment to be other-than-temporary at July 31, 2013.

The notes payable – related parties is primarily due to the note payable to former Cortelco shareholders (See Note 8) which is valued using a discounted cash flow analysis of the projected future payments of Cortelco using a discount rate of 15.22%. The note is classified within Level 3 of the fair value hierarchy.

The following represents transactions related to the note payable for the years ended July 31, 2013 and 2012 (in thousands).

	2013	2012
Beginning fair value	$ 3,486	$ 3,504
Imputed interest	487	518
Change in estimates	(796)	(368)
Interest (income) expense	(309)	150
Payments	(173)	(168)
Ending fair value - July 31	$ 3,004	$ 3,486

(m) Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

(n) Advertising Expense

The Company expenses advertising costs as incurred. Advertising expenses for fiscal years 2013 and 2012 were not significant.

(o) Segment Reporting

The Company operates in two business segments: Telephony Products and Puerto Rico. Segment information is consistent with how management reviews its businesses, makes investing and resource allocation decisions and assesses operating performance.

(p) Reclassification

Certain amounts in the July 31, 2012 consolidated financial statements have been reclassed to conform to the July 31, 2013 consolidated financial statement presentation.

3. Concentrations of Credit Risk, Major Customers, Major Suppliers and Geographic Information

Financial instruments, which potentially subject the Company to a concentration of credit risk, consist principally of cash and trade accounts receivable. The Company maintains its cash balances primarily with large regional U.S. financial institutions and has not experienced losses. The Company’s products are sold principally to dealers, distributors, value added resellers, national accounts, the U.S. government and foreign telecommunications companies. The Company’s credit risk is limited principally to trade accounts receivable. The Company performs ongoing credit evaluations of its customers and generally does not require collateral. No additional risk beyond amounts provided for collection losses is believed inherent in the Company’s trade accounts receivable.

Revenue from four major distributors of Cortelco was $8,708,000 or 42% of revenue during fiscal year 2013 and $10,105,000 or 45% of revenue for the fiscal year ended July 31, 2012. Revenues from two of these distributors were $3,358,000 and $2,904,000 or 16% and 14%, respectively of the net revenue for the year ended July 31, 2013. Revenues from three of these distributors were $3,518,000, $3,157,000 and $2,314,572 or 17%, 15% and 11%, respectively of the net revenue for the year ended July 31, 2012. As of July 31, 2013 and 2012, the Company had receivables from the federal government of $42,000 and $185,000, respectively. As of July 31, 2013 and 2012, the Company had receivables from four major distributors of $1,461,000 and $1,604,000, respectively. Two of these distributors accounted for 18% and 21% of trade accounts receivable at July 31, 2013 and 2012, respectively.

The Company purchases approximately 39% of its Cortelco phones from two major suppliers. A change in suppliers could cause a delay in manufacturing and a possible loss of sales, which could adversely affect operating results. During fiscal year 2013 and 2012, purchases from these two suppliers totaled approximately $3,100,000 and $3,441,000, respectively. As of July 31, 2013 and 2012, the balances payable to these two suppliers were $126,000 and $227,000, respectively.

4. Inventories

Inventories consist of the following as of July 31, 2013 and 2012 (in thousands):

	2013	2012
Raw materials and purchased components	$ 791	$ 1,151
Work in process	749	894
Finished goods	4,029	5,355
Total	5,569	7,400
Inventory obsolescence reserve	(543)	(2,139)
Total inventories	$ 5,026	$ 5,261

5. Prepaid and Other Current Assets

Prepaid and other current assets consist of the following as of July 31, 2013 and 2012 (in thousands):

	2013	2012
Refundable facility deposits	$ 15	$ 13
Prepaid expenses	238	363
Other	4	11
Total	$ 257	$ 387

6. Property and Equipment

Property and equipment consist of the following as of July 31, 2013 and 2012 (in thousands):

	2013	2012
Leasehold improvements	$ 69	$ 65
Equipment	595	663
Furniture and fixtures	151	151
Total	815	879
Less: accumulated depreciation	(312)	(527)
Property and equipment, net	$ 503	$ 352

7. Accrued Expenses and Other

Accrued expenses and other consist of the following as of July 31, 2013 and 2012 (in thousands):

	2013	2012
Employee compensation	$ 208	$ 213
Vacation	31	56
Deferred income	76	467
Warranty reserve	156	166
Professional fees	137	147
Other	574	573
Total	$ 1,182	$ 1,622

The following table summarizes the activity related to the product warranty liability during fiscal years 2013 and 2012 (in thousands):

	2013	2012
Balance at beginning of period	$ 166	$ 185
Accruals for warranty liability	94	99
Warranty charges	(104)	(118)
Balance at end of period	$ 156	$ 166

8. Notes Payable and Lines of Credit

Cortelco has a line of credit with available borrowings based on an asset formula involving accounts receivable and inventories up to a maximum of $1,000,000, none of which was drawn on as of July 31, 2013. The line of credit expires December 15, 2013 and is secured by substantially all of Cortelco's assets. The loan's interest rate, with a floor of 4%, is floating based on LIBOR.

CSPR has a $800,000 revolving line of credit, none of which was drawn on as of July 31, 2013, secured by trade accounts receivable and bears interest at 2% over Citibank's base rate. The agreement has certain covenant requirements and expires November 30, 2013.

Included in notes payable is a note payable to a major supplier of CSPR, Cisco Systems, Inc., in the amount of $74,000 for the purchase of equipment. The note is non interest bearing and is to be paid monthly for the three year term of the note.

Included in notes payable – related parties is the note payable to Cortelco's former shareholders (the "Cortelco Note") for the acquisition of Cortelco on April 1, 2009. The Cortelco Note balance totaled $3,004,000 at July 31, 2013 and $3,486,000 at July 31, 2012. The fair value of the Cortelco Note was approximately $4,430,000 at the April 1, 2009 Cortelco acquisition date using a discounted cash flow analysis of the projected future payments and a discount rate of 15.22%. Actual payments under the Cortelco Note, which are to be based on future earnings of Cortelco, may differ significantly from the projected payments estimated at the Cortelco Note's inception. These differences may result in significant fluctuations in periodic interest expense in order to properly reflect interest expense over the actual life of the Cortelco Note.

On June 9, 2010 pursuant to a Stock Purchase Agreement, the Company recorded a note payable to David S. Lee, eOn's Chairman, for the principal amount of $185,511 payable in three annual installments beginning June 9, 2011. Mr. Lee requested deferral of the payment due on June 9, 2011, 2012 and 2013; therefore, the the total principal amount of the note is included in short-term notes payable. The present value of the note payable at July 31, 2013 is approximately $185,511.

The following table represents the present value of projected payouts for notes payable based on current assumptions (in thousands):

Fiscal year ending July 31,		
2014	$	366
2015		448
2016		443
2017		366
2018		287
Thereafter		1,353
	$	3,263

9. Income Taxes

Income tax expense consisted of the following for the fiscal years ended July 31, 2013 and 2012 (in thousands):

	Fiscal year ended	
	July 31, 2013	July 31, 2012
Current		
Federal	$ -	$ -
State	20	20
	20	20
Deferred		
Federal	-	-
State	-	-
	-	-
	$ 20	$ 20

A reconciliation between the income tax expense recognized in the Company's consolidated statements of operations and the income tax expense (benefit) computed by applying the domestic federal statutory income tax rate to income before income taxes for fiscal years 2013 and 2012 is as follows (in thousands):

	2013	**2012**
Income tax expense at federal statutory rate (35%)	$ 85	$ 186
State income taxes	13	13
Change in valuation allowance	382	(160)
Effect of tax rate differences and newly enacted tax rates in Puerto Rico	(245)	-
Imputed interest expense on notes payable - related parties	(193)	(32)
Other, net	(22)	13
Total income tax expense	$ 20	$ 20

The deferred tax effects of the Company's principal temporary differences at July 31, 2013 and 2012 are as follows (in thousands):

	2013	2012
Allowance for doubtful receivables	$ 105	$ 177
Inventories	227	858
Basis difference in property and equipment	(12)	(5)
Accrued warranty costs	87	50
Accrued expenses and other	123	115
Deferred revenue	-	(42)
Net operating loss carry-forwards	10,668	9,663
Valuation allowance	(11,198)	(10,816)
Total deferred tax asset	$ -	$ -

Due to uncertainties surrounding the timing of realizing the benefits of its net favorable tax attributes in future tax returns; to the extent that it is more likely than not that the deferred tax assets may not be realized, the Company has recorded a valuation allowance against its deferred tax assets at July 31, 2013 and 2012.

At July 31, 2013, the Company has federal and state net operating loss carry-forwards of approximately $28 million which expire on various dates through 2033. As a Puerto Rico corporation not doing business in the United States, CSPR is subject to Puerto Rico income taxes but is exempt from U.S. federal income taxes. CSPR has net operating loss carry-forwards totaling approximately $500,000 available to offset future taxable income of CSPR expiring at various dates through 2022.

Approximately $450,000 of CSPR’s net operating loss carry-forwards were generated in its assembly of telecommunication equipment business which is subject to a reduced income tax rate pursuant to an exemption granted under the tax code of the Commonwealth of Puerto Rico. Such NOL is limited in availability to offset future taxable income of CSPR’s assembly operations.

Tax periods for all years after fiscal 2009 remain open to examination by the federal and state taxing jurisdictions to which the Company is subject.

10. Stock-Based Compensation

The Company's Equity Incentive Plans, adopted in fiscal years 1997, 1999 and 2001, authorize the granting of incentive stock options, supplemental stock options, stock bonuses, and restricted stock purchase agreements to officers, directors, and employees of the Company and to non-employee consultants. Incentive stock options are granted only to employees and are issued at prices not less than the fair market value of the stock at the date of grant. The options generally vest over a four-year period and the term of any option cannot be greater than ten years from the date of grant. Stock bonuses and restricted stock purchase agreements are issued at prices not less than 85% of the fair market value of the stock at the date of grant.

Equity Incentive Plans

No grants were made under the 1997 Equity Incentive Plan during fiscal years 2013 and 2012. The Board of Directors has declared that no future grants will be made under this plan.

During fiscal year 1999, the Board of Directors authorized up to an aggregate of 400,000 shares of the Company's common stock for issuance under the 1999 Equity Incentive Plan. No grants were made under the 1999 Equity Incentive Plan during fiscal years 2013 and 2012.

During fiscal year 2001, the Board of Directors authorized up to an aggregate of 100,000 shares of the Company’s common stock for issuance under the 2001 Equity Incentive Plan. Grants to officers or directors are prohibited under the terms of this plan. No options were issued under this plan during fiscal years 2013 and 2012.

Employee Stock Purchase Plan

During 1999, the board of directors adopted an Employee Stock Purchase Plan, which permits employees to purchase up to 50,000 shares of the Company's common stock. The plan was amended in 2005 to increase the number of shares available under the plan to 200,000. The purchase price under this plan is 85% of the fair market value of the common stock at the beginning of an offering period or on a purchase date, whichever is less. Offering periods generally last one year with purchase dates six and twelve months from the beginning of an offering period. During fiscal years 2013 and 2012, employees purchased -0- and 12,773 shares of common stock, respectively, under this plan.

Stock Compensation

Stock-based compensation is calculated on the date of grant using the fair value of the option as determined using the Black-Scholes option pricing model. The compensation cost is then amortized on a straight-line basis over the vesting period. The Black-Scholes valuation calculation requires the Company to estimate key assumptions such as expected term, volatility and forfeiture rates to determine the stock options fair value. The estimate of these key assumptions is based on historical information and judgment regarding market factors and trends.

Expected volatilities are based on historical daily closing prices adjusted for expected future volatility. The Company believes that implied volatility is more reflective of market conditions and a better indicator of expected volatility than historical volatility. The Company uses historical information to calculate expected life of option grants. The Company believes that historical information is currently reflective of the economic life of outstanding option grants. The dividend yield is determined by dividing the expected per share dividend during the coming year by the average fair market value of the stock during the quarter. The Company has not historically declared any cash dividends on its common stock, and currently intends to retain any retained earnings to finance the operation and expansion of the business and therefore does not expect to pay cash dividends on the common stock in the foreseeable future. The risk-free interest rate is based on the U.S. Treasury yield curve in effect at the time of grant.

Total stock-based compensation recognized for the year ended July 31, 2013 and 2012, related to stock options vested, stock grants and ESPP shares issued during the year totaled $4,000 and $7,000, respectively.

As of July 31, 2013, the Company has no unrecognized compensation costs related to unvested stock options outstanding under the Plans.

Activity in the Company's stock option plans during fiscal years 2013 and 2012 is as follows:

	2013		
	Shares Available for Grant	Shares Outstanding	Weighted Average Exercise Price
Beginning of year	307,344	68,933	$ 11.19
Granted	-	-	-
Exercised	-	-	-
Cancelled	8,600	(8,600)	7.07
End of year	315,944	60,333	$ 11.78

	2012		
	Shares Available for Grant	Shares Outstanding	Weighted Average Exercise Price
Beginning of year	302,756	73,521	$ 10.80
Granted	-	-	-
Exercised	-	-	-
Cancelled	4,588	(4,588)	5.03
End of year	307,344	68,933	$ 11.19

Information regarding the stock options outstanding under the Company's stock option plans at July 31, 2013 is summarized as follows:

Range of Exercise Prices	Outstanding at July 31, 2013	Weighted Average Remaining Contractual Life		Weighted Average Exercise Price	Exercisable at July 31, 2013		Weighted Average Exercise Price
$ 5.01 — $10.00	30,000	2.9 years		7.15	30,000		7.15
$15.01 — $20.00	30,333	0.6 years		16.35	30,333		16.35
	60,333	1.7 years	$	11.78	60,333	$	11.78

The aggregate intrinsic value of both options outstanding and options exercisable as of July 31, 2013 was approximately $0.

11. Related Parties

Symbio Investment Corp.

On August 1, 2007 and August 27, 2007, the Company made strategic investments in Symbio Investment Corp. of $500,000 and $400,000 for 250,000 and 200,000 shares, respectively, or approximately 4% of Symbio Investment Corp. Symbio Investment Corp. is a holding company whose primary asset is an approximate twenty percent investment in Symbio S.A. Symbio S.A.'s principal business is to provide outsourced information technology and research and development services globally at sites located in the United States, Finland, Sweden, China and Taiwan. Symbio Investment Corp. is a privately held entity and the Company accounts for its investment by the cost method.

At the time of the second investment in Symbio Investment Corp. for $400,000, the Company received a put option from David Lee, Chairman of the Company, effective beginning January 1, 2008 and expiring January 1, 2011. In December 2010, the expiration of the put option was extended to January 1, 2013. In December 2012, the expiration of the put option was extended until January 1, 2015. The put option allows the Company to sell to David Lee a maximum aggregate of 200,000 shares of its investment in Symbio Investment Corp. for a per share price of $2.00.

In consideration of the put option, in the event that the 200,000 shares are sold without exercise of the put option before January 1, 2015, the Company has agreed to pay David Lee 50% of the proceeds in excess of $1,000,000.

In conjunction with the purchase of these shares in 2007, David Lee was appointed to the board of directors of Symbio S.A. and has been elected chairman. eOn was granted 45,000 shares of Symbio Investment Corp. as compensation for Mr. Lee's services. These shares were valued at $90,000, and were recorded as an increase in investments and a capital contribution by David Lee, in 2009.

12. Discontinued Operations

On July 31, 2013, the Company sold the rights for the purchase, sale and licensing of its Millennium, eQueue and eConn product lines and related inventories to PiOn, Incorporated ("PiOn") located in Manchester, New Hampshire. The divestiture is consistent with the Company's plan to discontinue marketing efforts in the PBX and call center telecommunications systems segment and focus on IP voice and security endpoints within its Cortelco business segment. Under terms of the sale, the Company received cash proceeds of approximately $48,000 (received in August 2013), assigned approximately $52,000 in deferred revenue liabilities to the buyer and will receive up to three years of royalty payments based on future sales of products included in the Millennium, eQueue, and eConn product lines. Royalty payments over the contractual period are to be received 30 days after each calendar quarter with royalty revenue recognized when earned. The transaction resulted in a loss on sale of approximately $286,000, which is included in the consolidated statements of income in income from discontinued operations. Due to the full valuation allowance and historical net losses experienced by the communications systems and services business segment, no income tax expense has been attributed to this segment.

The Company will continue to fulfill product orders and provide repair and refurbishment services for PiOn as part of an orderly transition from the Company's Corinth, Mississippi warehouse to PiOn's warehouse in Manchester, New Hampshire. The transition period will be no less than six months and can be extended indefinitely. The net cash flows expected to be received and paid by the Company related to the fulfillment, repair and refurbishment services during the transition period are not expected to be significant.

In accordance with the Company's decision to exit the communications systems and services business segment, the results of operations and cash flows from these businesses have been classified as discontinued operations for all periods presented. Further, assets and liabilities related to the discontinued operations in the accompanying consolidated balance sheets are as follows (in thousands):

		July 31, 2013		July 31, 2012
Assets of Discontinued Operations	$			
Accounts receivable		106	$	294
Inventories		-		543
Prepaid and other current assets		26		23
Property and equipment, net		20		25
	$	152	$	885
Liabilities of Discontinued Operations				

Accounts payable		4		23
Accrued expenses and other		215		393
	$	219	$	416

Condensed results of operations for the discontinued operations for the years ended July 31, 2013 and 2012 are as follows (in thousands):

	For the Years Ended July 31,			
		2013		**2012**
Revenues	$	1,223	$	1,826
Income from discontinued operations		342		455
Loss on sale of discontinued operations		(286)		-
Net income from discontinued operations	$	56	$	455

13. Employee Savings Plan

Substantially all U.S. employees of the Company can participate in the Section 401(k) Safe Harbor Profit Sharing Plan and Trust (the "Plan"), a tax-qualified retirement plan. Under the provisions of the Plan, participants may contribute a percentage of their compensation, subject to limitations established by the Internal Revenue Service. The Company contributes 3% of employee compensation to the Plan. Discretionary contributions by the Company may be made to the profit sharing portion of the Plan in an amount specified by management annually. The Company maintained the eOn Communications Corporation Profit Sharing Savings Plan, which qualified under Section 401 of the Internal Revenue Code until January 31, 2011, when the assets were merged with the Plan. Company contributions made under both plans during fiscal 2013 and 2012 were $51,000 and $65,000, respectively.

CSPR provides its employees a savings plan. Under the terms of the savings plan, employees may contribute from 1% to 10% of pretax annual compensation not to exceed $9,000. No employer contributions are made to the savings plan.

14. Commitments and Contingencies

(a) Operating Leases

The Company is obligated under non-cancelable operating lease agreements for its warehouse, office facilities and certain office equipment. Future minimum annual lease payments at July 31, 2013 under non-cancelable operating lease agreements with remaining terms greater than one year are as follows (dollars in thousands):

	Amount
2014	$ 110
2015	116
2016	112
2017	111
2018	111
Thereafter	112
Total	$ 672

Rent expense for operating leases for the years ended July 31, 2013 and 2012 totaled $248,000 and $242,000, respectively.

The Company currently shares office space and personnel with Symbio S.A. in San Jose, California. The Company is not assessed facility rent in exchange for utilization of shared employees.

The Company leases approximately 77,000 sq. ft. of office and warehouse space in Corinth, Mississippi. The lease has monthly rent of approximately $12,000 and expired in December 2010. The Company now leases the property on a month-to-month basis.

The Company leases approximately 17,236 sq. ft. of office and warehouse space in Caguas, Puerto Rico from the Puerto Rico Industrial Development Company, under an amended lease agreement that expires in August 2019.

(b) Litigation

The Company is involved in various matters of litigation, claims, and assessments arising in the ordinary course of business. In the opinion of management, the eventual disposition of these matters will not have a material adverse effect on the financial statements.

The Municipal Revenue Collection Center of Puerto Rico ("CRIM") conducted a personal property tax audit for the years 1999 and 2000 which resulted in assessments of approximately $320,000 (approximately $551,000 as of August 21, 2013, including interest and penalties). The assessments arose from CRIM's disallowances of certain credits for overpayments from 1999 and 2000, claimed in the 2001 through 2005 personal property tax returns. During the audit process, CRIM alleged that some components of the inventory reported as exempt should be taxable. The parties met several times and an informal administrative hearing was held on September 27, 2006. CSPR submitted its position in writing within the time period provided by CRIM. CSPR believes it has strong arguments to support its position that the components of inventory qualify as raw material. However, management believes a settlement may be reached for an amount less than the assessment. Accordingly, the Company has recorded a liability of $96,000 as of July 31, 2013 and 2012.

15. Segments

The Company's reportable segments in fiscal year 2013 are Telephony Products and Puerto Rico, each of which offers different products and services in different geographic areas. The Telephony Products segment provides telephone products, service and support to businesses and organizations. The Puerto Rico segment provides the sale and service of integrated communications systems, data equipment, security products and telephony billing services to Puerto Rico and the Virgin Islands. Performance of each segment is assessed independently. During fiscal 2013, the Company disposed of its Communications Systems and Services segment and has reclassified its consolidated statements of income for fiscal year 2013 and 2012 to reflect operations of this segment as discontinued. Income from discontinued operations for fiscal 2012 totaled $455,000, which excludes approximately $920,000 of ongoing operating costs and expenses which were allocated to the Communications Systems and Services fiscal 2012 segment information disclosed below. For fiscal 2013, such ongoing operating costs and expenses are included in the Telephony Products operating segment.

Segment reporting for activity for the fiscal year ended and balances as of July 31, 2013 follows (in thousands):

	Telephony Products	Puerto Rico	Total
Revenue	$ 11,129	$ 9,457	$ 20,586
Income (loss) from operations	(440)	320	(120)
Total assets	8,768	4,347	13,115
Capital expenditures	129	159	288
Allowance for doubtful accounts	123	162	285
Depreciation and amortization	49	85	134
Income tax expense	20	-	20

Segment reporting for activity for the fiscal year ended and balances as of July 31, 2012 follows (in thousands):

	Communications Systems and Services	Telephony Products	Puerto Rico	Total
Revenue	$ 1,826	$ 12,807	$ 7,864	$ 22,497
Income (loss) from operations	(465)	1,057	100	692
Total assets	2,178	7,616	3,812	13,606
Capital expenditures	-	100	132	232
Allowance for doubtful accounts	342	16	197	555
Depreciation and amortization	6	37	62	105
Income tax expense	-	20	-	20

Substantially all of the Company’s revenues are earned in the United States and the Commonwealth of Puerto Rico.

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE.

None.

ITEM 9A. CONTROLS AND PROCEDURES.

Disclosure Controls and Procedures.

Our management, with the participation of our chief executive officer and chief financial officer, has evaluated the effectiveness of our disclosure controls and procedures (as such term is defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended (the "Exchange Act")) as of the end of the period covered by this report. Based on such evaluation, our chief executive officer and chief financial officer have concluded that, as of the end of such period, our disclosure controls and procedures are effective in recording, processing, summarizing and reporting, on a timely basis, information required to be disclosed by us in the reports that we file or submit under the Exchange Act.

Internal Control Over Financial Reporting.

There have not been any changes in our internal control over financial reporting (as such term is defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) during the fourth quarter of 2013 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

Management’s Annual Report on Internal Control Over Financial Reporting**.**

Management of the Company is responsible for establishing and maintaining adequate control over financial reporting. The Company’s internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of the Company’s financial statements for external purposes in accordance with generally accepted accounting principles. Internal control over financial reporting is defined in Rules 13a-15(f) and 15d-15(f) promulgated under Securities Exchange Act of 1934, as amended (the Exchange Act).

As of July 31, 2013, management assessed the effectiveness of the Company’s internal control over financial reporting based on criteria for effective internal control over financial reporting established in *Internal Control – Integrated Framework*, issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). Based on this assessment, management has determined that the Company’s internal control over financial reporting as of July 31, 2013 is effective.

This annual report does not include an attestation report of the Company’s registered public accounting firm regarding internal control over financial reporting. Management’s report was not subject to attestation by the Company’s registered public accounting firm pursuant to Section 404(c) of the Sarbanes-Oxley Act of 2002, as amended by Section 989G(a) of the Dodd-Frank Wall Street Reform and Consumer Protection Act.

ITEM 9B. OTHER INFORMATION.

There were no events that occurred in the fourth quarter that were not previously disclosed in a form 8-K.

PART III

ITEM 10. DIRECTORS, EXECUTIVE OFFICERS, PROMOTERS, CONTROL PERSONS AND CORPORATE GOVERNANCE; COMPLIANCE WITH SECTION 10(a) OF THE EXCHANGE ACT.

Information set forth under the captions "Election of Directors" and "Section 16(a) Beneficial Ownership Reporting Compliance" in the Company's definitive Proxy Statement ("Proxy Statement"), which will be filed with the Securities and Exchange Commission not later than 120 days after July 31, 2013, are incorporated herein by reference in response to this item.

Information with respect to executive officers is set forth under the caption "Executive Officers" in Part I of this report.

ITEM 11. EXECUTIVE COMPENSATION.

Information set forth under the caption "Executive Compensation" in the Proxy Statement is incorporated herein by reference in response to this item.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS.

Information set forth under the caption "Stock Ownership" in the Proxy Statement is incorporated herein by reference.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED PARTY TRANSACTIONS.

Information set forth under the caption "Certain Transaction" in the Proxy Statement is incorporated herein by reference in response to this item.

ITEM 14. PRINCIPAL ACCOUNTANT FEES AND SERVICES.

Audit Fees

Information set forth under the caption "Fees Paid to Principal Accountant" in the Proxy Statement is incorporated by reference in response to this item.

PART IV

ITEM 15. EXHIBITS AND FINANCIAL STATEMENT SCHEDULES.

(A) (1) Financial Statements

The following information appears in Item 8 of Part II of this Report:

- Report of Independent Registered Public Accounting Firm
- Consolidated Balance Sheets as of July 31, 2013 and 2012
- Consolidated Statements of Income and Comprehensive Income for the Years Ended July 31, 2013 and 2012
- Consolidated Statements of Cash Flows for the Years Ended July 31, 2013 and 2012
- Consolidated Statements of Stockholders' Equity for the Years Ended July 31, 2013 and 2012
- Notes to Consolidated Financial Statements

(B) Exhibits

The exhibits listed in the Exhibit Index following the signature page of this report are filed as part of this report or are incorporated by reference herein.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

EON COMMUNICATIONS CORPORATION

Date: November 12, 2013

By /s/ Lee M. Bowling
Lee M. Bowling, Chief Financial Officer
(Principal Financial Officer)

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

Name	Title	Date
/s/ Stephen Swartz Stephen Swartz	Principal Executive Officer	November 12, 2013
/s/ Lee M. Bowling Lee M. Bowling	Chief Financial Officer (Principal Financial Officer)	November 12, 2013
/s/ James W. Hopper James W. Hopper	Director	November 12, 2013
/s/ Robert A. Gordon Robert A. Gordon	Director	November 12, 2013
/s/ W. Frank King W. Frank King	Director	November 12, 2013
/s/ Frederick W. Gibbs Frederick W. Gibbs	Director	November 12, 2013
/s/ David S. Lee David S. Lee	Chairman of the Board, Director	November 12, 2013

EXHIBIT INDEX

Documents listed below are being filed as exhibits herewith. Exhibits identified by asterisks (*) are being incorporated herein by reference and, pursuant to Rule 12b-32 of the General Rules and Regulations promulgated by the Commission under the Securities Exchange Act of 1934, reference is made to such documents as previously filed exhibits with the Commission.

Exhibit Number	Description of Document
2.1	Agreement and Plan of Merger to Acquire Cortelco Systems Holding Corp., incorporated herein by reference to eOn's Form 8-K dated December 12, 2008
2.2	Stock Purchase Agreement dated June 9, 2010 between eOn Communications Corporation and David S. Lee, incorporated herein by reference to eOn's Form 8-K dated June 9, 2010
3.1	Amended and Restated Certificate of Incorporation of eOn as filed with the Secretary of State of Delaware on November 16, 1999, incorporated herein by reference to eOn's Registration Statement on Form S-1 (No. 333-77021), filed with the SEC on April 26, 1999
3.2	Amendment to Certificate of Incorporation of eOn, incorporated herein by reference to eOn's Registration Statement on Form S-1/A (No. 333-77021), filed with the SEC on November 23, 1999
3.3	Amendment to Certificate of Incorporation of eOn, incorporated herein by reference to eOn's Form 8-K dated April 18, 2008
3.3	Amended and Restated Bylaws of eOn, incorporated herein by reference to eOn's Form 8-K dated December 11, 2007
4.1	Reference is made to Exhibits 3.1, 3.2, and 3.3
10.1	Form of Indemnity Agreement between eOn and its officers and directors incorporated herein by reference to eOn's Registration Statement on Form S-1 (No. 333-77021), filed with the SEC on April 26, 1999
14.1	Code of Ethics, incorporated herein by reference to Exhibit 14.1 of eOn's Form 10-K/A filed July 19, 2005
21.1	Subsidiaries of eOn Communications Corporation
23.1	Consent of Horne, LLP
31.1	Rule 13a-14(a)/15d-14(a) Certifications
32.1	Section 1350 Certifications

Exhibit 21.1

Subsidiaries of eOn Communications Corporation

Cortelco Systems Holding Corp.

Cortelco, Inc.

Cortelco Puerto Rico

Cortelco Systems Puerto Rico (majority-owned)

Exhibit 23.1

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We consent to the incorporation by reference in the Registration Statement (No. 333-36460) on Form S-8 of eOn Communications Corporation and Subsidiaries of our report dated November 12, 2013 relating to our audits of the consolidated financial statements, which appears in this Annual Report on Form 10-K of eOn Communications Corporation and Subsidiaries for the year ended July 31, 2013.

/s/ Horne LLP

Ridgeland, Mississippi

November 12, 2013

Exhibit 31.1

CERTIFICATIONS OF PERIODIC REPORT
PURSUANT TO SECTION 302 OF SARBANES-OXLEY ACT OF 2002

I, Stephen Swartz, certify that:

1. I have reviewed this annual report on Form 10-K of eOn Communications Corporation ("Registrant");

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this annual report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the Registrant as of, and for, the periods presented in this report;

4. The Registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the Registrant and have:

(a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the Registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

(b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

(c) Evaluated the effectiveness of the Registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

(d) Disclosed in this report any change in the Registrant's internal control over financial reporting that occurred during the Registrant's most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the Registrant's internal control over financial reporting; and

5. The Registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the Registrant's auditors and the audit committee of the Registrant's board of directors:

(a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the Registrant's ability to record, process, summarize and report financial information; and

(b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the Registrant's internal control over financial reporting.

Dated: November 12, 2013

/s/ Stephen Swartz
Stephen Swartz
Principal Executive Officer

CERTIFICATIONS OF PERIODIC REPORT
PURSUANT TO SECTION 302 OF SARBANES-OXLEY ACT OF 2002

I, Lee M. Bowling, certify that:

1. I have reviewed this annual report on Form 10-K of eOn Communications Corporation ("Registrant");

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this annual report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the Registrant as of, and for, the periods presented in this report;

4. The Registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the Registrant and have:

(a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the Registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

(b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

(c) Evaluated the effectiveness of the Registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

(d) Disclosed in this report any change in the Registrant's internal control over financial reporting that occurred during the Registrant's most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the Registrant's internal control over financial reporting; and

5. The Registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the Registrant's auditors and the audit committee of the Registrant's board of directors:

(a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the Registrant's ability to record, process, summarize and report financial information; and

(b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the Registrant's internal control over financial reporting.

Dated: November 12, 2013

/s/ Lee M. Bowling
Lee M. Bowling
Chief Financial Officer

Exhibit 32.1

CERTIFICATIONS
PURSUANT TO 18 U.S.C. 1350
(SECTION 302 OF SARBANES-OXLEY ACT OF 2002)

In connection with this annual report on Form 10-K of eOn Communications Corporation ("Registrant") I, Stephen Swartz, Principal Executive Officer of Registrant , certify, pursuant to 18 U.S.C §1350, as adopted pursuant to §906 of the Sarbanes-Oxley Act of 2002, that:

1. The report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

2. The information contained in this report fairly presents, in all material respects, the financial condition and results of operations of Registrant.

Date: November 12, 2013

/s/ Stephen Swartz
Stephen Swartz
Principal Executive Officer

In connection with this annual report on Form 10-K of eOn Communications Corporation ("Registrant") I, Lee M. Bowling, Chief Financial Officer of Registrant, certify, pursuant to 18 U.S.C §1350, as adopted pursuant to §906 of the Sarbanes-Oxley Act of 2002, that:

1. The report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

2. The information contained in this report fairly presents, in all material respects, the financial condition and results of operations of Registrant.

Date: November 12, 2013

/s/ Lee M. Bowling
Lee M. Bowling
Chief Financial Officer

These certifications accompany each report pursuant to §906 of the Sarbanes-Oxley Act of 2002 and shall not, except to the extent required by the Sarbanes-Oxley Act of 2002, be deemed filed by the Company for purposes of §18 of the Securities Exchange Act of 1934, as amended.

A signed original of this written statement required by Section 906 has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request.