
**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION**
Washington, DC 20549

FORM 8-K

CURRENT REPORT

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

Date of Report (Date of earliest event reported): January 23, 2007

Luna Innovations Incorporated

(Exact name of registrant as specified in its charter)

Delaware
(State or other jurisdiction of
incorporation)

000-52008
(Commission File Number)

54-1560050
(IRS Employer
Identification No.)

**1703 South Jefferson Street, SW
Roanoke, Virginia 24016**
(Address of principal executive offices, including zip code)

540-769-8400
(Registrant's telephone number, including area code)

(Former name or former address, if changed since last report)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions (see General Instruction A.2. below):

- ☐ Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
 - ☐ Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
 - ☐ Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
 - ☐ Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))
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Item 1.01. Entry into a Material Definitive Agreement.

On January 23, 2007, Luna Innovations Incorporated (the “Company”) and certain of its officers, including certain of the Company’s named executive officers as defined under Item 402(a)(3) of Regulation S-K, entered into amended and restated stock sale restriction agreements (the “Sale Restriction Agreements”) whereby such officers agreed not to sell more than a fixed number of beneficially held shares of common stock of the Company (the “Subject Securities”) for a two year period ending December 31, 2008. As of the date of the Sale Restriction Agreements, such officers beneficially owned an aggregate of 5,010,453 shares of the Company’s common stock, including vested and unvested options to purchase common stock, which are subject to the Sale Restriction Agreements. The Sale Restriction Agreements provide that the parties to such agreements limit sales of Subject Securities to specified amounts which equal in the aggregate 168,339 shares of Common Stock in calendar year 2007 and 503,053 shares of Common Stock in calendar year 2008, unless such Sale Restrictions Agreements are terminated or the limits waived in accordance with their terms.

In particular, six of the thirteen officers who entered into the Sale Restriction Agreements, including the Company’s Chief Executive Officer, Kent A. Murphy, Chief Financial Officer, Dale E. Messick and Chief Commercialization Officer, Scott A. Graeff, each agreed not to sell any Subject Securities in calendar year 2007 and to sell no more than ten percent (10%) of each officer’s Subject Securities in calendar year 2008.

Conformed copies of the Sale Restriction Agreements entered into by the Company’s named executive officers, as identified in the Company’s registration statement of Form S-1, as well as the Company’s current chief financial officer are attached hereto as Exhibits 10.1 through 10.6.

Item 9.01(d). Exhibits

<u>Exhibit No.</u>	<u>Description</u>
10.1	Amended and Restated Stock Sale Restriction Agreement by and between Luna Innovations Incorporated and Kent A. Murphy, dated as of January 23, 2007.
10.2	Amended and Restated Stock Sale Restriction Agreement by and between Luna Innovations Incorporated and Dale E. Messick, dated as of January 23, 2007.
10.3	Amended and Restated Stock Sale Restriction Agreement by and between Luna Innovations Incorporated and Scott A. Graeff, dated as of January 23, 2007.
10.4	Amended and Restated Stock Sale Restriction Agreement by and between Luna Innovations Incorporated and Robert P. Lenk, dated as of January 23, 2007.
10.5	Amended and Restated Stock Sale Restriction Agreement by and between Luna Innovations Incorporated and Scott A. Meller, dated as of January 23, 2007.
10.6	Amended and Restated Stock Sale Restriction Agreement by and between Luna Innovations Incorporated and Michael F. Gunther, dated as of January 23, 2007.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

Luna Innovations Incorporated

By: /s/ Aaron S. Hullman

Aaron S. Hullman

Vice President and General Counsel

Date: January 29, 2007

EXHIBIT INDEX

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10.3	Amended and Restated Stock Sale Restriction Agreement by and between Luna Innovations Incorporated and Scott A. Graeff, dated as of January 23, 2007.
10.4	Amended and Restated Stock Sale Restriction Agreement by and between Luna Innovations Incorporated and Robert P. Lenk, dated as of January 23, 2007.
10.5	Amended and Restated Stock Sale Restriction Agreement by and between Luna Innovations Incorporated and Scott A. Meller, dated as of January 23, 2007.
10.6	Amended and Restated Stock Sale Restriction Agreement by and between Luna Innovations Incorporated and Michael F. Gunther, dated as of January 23, 2007.

AMENDED AND RESTATED STOCK SALE RESTRICTION AGREEMENT

This Amended and Restated Stock Sale Restriction Agreement (this “**Agreement**”) is entered into as of January 23, 2007 (the “**Effective Date**”) by and between Luna Innovations Incorporated, a Delaware corporation (the “**Company**”) and Kent A. Murphy (“**Employee**”). The Company and Employee are referred to herein as the “**Parties**” and each as a “**Party**.”

RECITALS

WHEREAS, the Parties entered into a certain letter agreement dated on or about February 1, 2006 (the “**Stock Sale Restriction Agreement**”) whereby Employee agreed to certain restrictions on the sale and transfer of (i) any outstanding shares of the Company’s Common Stock, par value \$0.001 per share (“**Common Stock**”) (excluding shares that were received upon exercise of options prior to December 31, 2005) and (ii) any shares of Common Stock to be received upon exercise of options to purchase Common Stock, whether vested or unvested, that Employee held and acquired from the Company prior to the Company’s initial public offering;

WHEREAS, as of the Effective Date, Employee beneficially held an aggregate of 2,750,208 shares of Common Stock, which consisted of 2,637,161 outstanding shares of Common Stock and 113,047 shares of Common Stock issuable upon exercise of outstanding options (collectively, the “**Subject Securities**”), excluding any shares that were received upon exercise of options or warrants prior to December 31, 2005;

WHEREAS, the Parties agree and acknowledge that it is in the interests of the Company and its stockholders to amend and restate the Stock Sale Restriction Agreement to provide for additional restrictions on the number of Subject Securities which Employee can sell, with the expectation that such additional restrictions may help to prolong the Company’s eligibility for Small Business Innovation Research (“**SBIR**”) grants; and

WHEREAS, the Parties desire to amend and restate the Stock Sale Restriction Agreement pursuant to the terms and conditions provided herein.

NOW, THEREFORE, in consideration of the premises and covenants set forth herein and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Parties hereto agree as follows:

AGREEMENT

1. Employee hereby irrevocably agrees that he or she will not, directly or indirectly, (i) sell, offer for sale, pledge or otherwise dispose of (except as otherwise provided herein) greater than zero percent (0%) of Employee’s Subject Securities in calendar year 2007 and ten percent (10%) of Employee’s Subject Securities in calendar year 2008 (each such amount the “**Annual Limit**”) or (ii) enter into any swap or other derivatives transaction that transfers to another, in whole or in part, any of the economic benefits or risks of ownership of greater than the Annual Limit in any given year of the Employee’s Subject Securities, whether any such transaction described in clause (i) or (ii) above is to be settled by delivery of Common Stock or other securities, in cash

or otherwise. For purposes of this Agreement, gifts or transfers of Subject Securities to immediate family members or trusts for which Employee or his or her immediate family members are the sole primary beneficiaries shall be exempt from the restrictions of this Paragraph 1; *provided*, that the recipient of such Subject Securities shall become subject to the terms and conditions of this Agreement, shall assume Employee's obligations hereunder and shall sign an agreement of joinder to that effect.

2. Notwithstanding anything in this Agreement to the contrary, if Employee does not sell or transfer the full Annual Limit of the undersigned's Subject Securities in calendar year 2007, the unsold portion of the Annual Limit (the "**Carryover Amount**") shall be carried over to calendar year 2008 such that the Annual Limit for such calendar year shall be increased by the Carryover Amount. Notwithstanding anything in this Agreement to the contrary, the Company hereby agrees to waive the Annual Limit to the extent reasonably necessary (i) to allow Employee to sell Subject Securities to cover a tax liability that Employee may incur as a result of an exercise of vested options for Subject Securities, and (ii) in the event of Employee's termination by death or disability, to allow for the sale of Subject Securities solely to the extent necessary to pay the exercise price and related costs in connection with an exercise of vested stock options pursuant to a Company approved cashless exercise program.

3. This Agreement and the restrictions contained herein will terminate on the earliest to occur of the following: (i) the date on which the Company is no longer eligible for Small Business Innovation Research (SBIR) grants, as evidenced by an opinion of counsel mutually acceptable to the Company and Employee; (ii) the effective date of a termination of Employee's employment with the Company, provided that such termination is initiated by the Company and not by the Employee and that such termination is without Cause (as defined in the Employment Agreement between the Company and Employee, as amended from time to time); (iii) a date determined by the Company in its sole discretion at any time upon written notice to the Employee; (iv) December 31, 2008.

4. Employee acknowledges that by signing this Agreement he or she may suffer adverse consequences, including without limitation, an inability to sell Subject Securities during a time in which the Company's Common Stock is trading at a historically high price and (notwithstanding paragraph 2 above) an inability to sell Subject Securities to cover a tax liability that the undersigned may incur as a result of an exercise of vested options. The Company encourages Employee to speak with his or her personal financial, legal and/or tax advisors before signing this Agreement and also prior to any sale of shares of Common Stock or the exercise of stock options for Subject Securities.

5. This Agreement constitutes the entire understanding of the Parties with regard to the subject matter stated herein and revokes and supersedes all prior agreements between the Parties, including the Stock Sale Restriction Agreement.

6. This Agreement may be modified or amended only in writing signed by the Company and Employee; *provided, however*, that the Company may, in its sole discretion, amend or waive the provisions of Paragraph 1 above to increase the Annual Limit from time to time. No waiver of any provision of this Agreement shall be deemed a waiver of other provisions of this Agreement.

7. Employee's obligations hereunder shall be binding upon Employee's heirs, personal representatives, successors and assigns.

8. This Agreement shall be governed in accordance with the laws of the Commonwealth of Virginia, without application of conflicts of laws provisions.

9. This Amended and Restated Agreement may be executed in one or more counterparts, each of which shall constitute an original, but taken together shall constitute one and the same document. A facsimile signature shall have the same force and effect as an original signature.

[Signature page follows]

IN WITNESS WHEREOF, the Parties hereto have each caused a duly authorized officer to execute this Agreement with the intent to be legally bound as of the Effective Date.

COMPANY

By: /s/ Kent A. Murphy

Name: Kent A. Murphy

Title: President and CEO

Date: 01/23/07

EMPLOYEE

By: /s/ Kent A. Murphy

Name: Kent A. Murphy

Title: President and CEO

Date: 01/23/07

[Signature Page to Amended and Restated Stock Sale Restriction Agreement]

AMENDED AND RESTATED STOCK SALE RESTRICTION AGREEMENT

This Amended and Restated Stock Sale Restriction Agreement (this “**Agreement**”) is entered into as of January 23, 2007 (the “**Effective Date**”) by and between Luna Innovations Incorporated, a Delaware corporation (the “**Company**”) and Dale E. Messick (“**Employee**”). The Company and Employee are referred to herein as the “**Parties**” and each as a “**Party**.”

RECITALS

WHEREAS, the Parties entered into a certain letter agreement dated on or about February 1, 2006 (the “**Stock Sale Restriction Agreement**”) whereby Employee agreed to certain restrictions on the sale and transfer of (i) any outstanding shares of the Company’s Common Stock, par value \$0.001 per share (“**Common Stock**”) (excluding shares that were received upon exercise of options prior to December 31, 2005) and (ii) any shares of Common Stock to be received upon exercise of options to purchase Common Stock, whether vested or unvested, that Employee held and acquired from the Company prior to the Company’s initial public offering;

WHEREAS, as of the Effective Date, Employee beneficially held an aggregate of 225,000 shares of Common Stock, which consisted of no outstanding shares of Common Stock and 225,000 shares of Common Stock issuable upon exercise of outstanding options (collectively, the “**Subject Securities**”), excluding any shares that were received upon exercise of options or warrants prior to December 31, 2005;

WHEREAS, the Parties agree and acknowledge that it is in the interests of the Company and its stockholders to amend and restate the Stock Sale Restriction Agreement to provide for additional restrictions on the number of Subject Securities which Employee can sell, with the expectation that such additional restrictions may help to prolong the Company’s eligibility for Small Business Innovation Research (“**SBIR**”) grants; and

WHEREAS, the Parties desire to amend and restate the Stock Sale Restriction Agreement pursuant to the terms and conditions provided herein.

NOW, THEREFORE, in consideration of the premises and covenants set forth herein and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Parties hereto agree as follows:

AGREEMENT

1. Employee hereby irrevocably agrees that he or she will not, directly or indirectly, (i) sell, offer for sale, pledge or otherwise dispose of (except as otherwise provided herein) greater than zero percent (0%) of Employee’s Subject Securities in calendar year 2007 and ten percent (10%) of Employee’s Subject Securities in calendar year 2008 (each such amount the “**Annual Limit**”) or (ii) enter into any swap or other derivatives transaction that transfers to another, in whole or in part, any of the economic benefits or risks of ownership of greater than the Annual Limit in any given year of the Employee’s Subject Securities, whether any such transaction described in clause (i) or (ii) above is to be settled by delivery of Common Stock or other securities, in cash

or otherwise. For purposes of this Agreement, gifts or transfers of Subject Securities to immediate family members or trusts for which Employee or his or her immediate family members are the sole primary beneficiaries shall be exempt from the restrictions of this Paragraph 1; *provided*, that the recipient of such Subject Securities shall become subject to the terms and conditions of this Agreement, shall assume Employee's obligations hereunder and shall sign an agreement of joinder to that effect.

2. Notwithstanding anything in this Agreement to the contrary, if Employee does not sell or transfer the full Annual Limit of the undersigned's Subject Securities in calendar year 2007, the unsold portion of the Annual Limit (the "**Carryover Amount**") shall be carried over to calendar year 2008 such that the Annual Limit for such calendar year shall be increased by the Carryover Amount. Notwithstanding anything in this Agreement to the contrary, the Company hereby agrees to waive the Annual Limit to the extent reasonably necessary (i) to allow Employee to sell Subject Securities to cover a tax liability that Employee may incur as a result of an exercise of vested options for Subject Securities, and (ii) in the event of Employee's termination by death or disability, to allow for the sale of Subject Securities solely to the extent necessary to pay the exercise price and related costs in connection with an exercise of vested stock options pursuant to a Company approved cashless exercise program.

3. This Agreement and the restrictions contained herein will terminate on the earliest to occur of the following: (i) the date on which the Company is no longer eligible for Small Business Innovation Research (SBIR) grants, as evidenced by an opinion of counsel mutually acceptable to the Company and Employee; (ii) the effective date of a termination of Employee's employment with the Company, provided that such termination is initiated by the Company and not by the Employee and that such termination is without Cause (as defined in the Employment Agreement between the Company and Employee, as amended from time to time); (iii) a date determined by the Company in its sole discretion at any time upon written notice to the Employee; (iv) December 31, 2008.

4. Employee acknowledges that by signing this Agreement he or she may suffer adverse consequences, including without limitation, an inability to sell Subject Securities during a time in which the Company's Common Stock is trading at a historically high price and (notwithstanding paragraph 2 above) an inability to sell Subject Securities to cover a tax liability that the undersigned may incur as a result of an exercise of vested options. The Company encourages Employee to speak with his or her personal financial, legal and/or tax advisors before signing this Agreement and also prior to any sale of shares of Common Stock or the exercise of stock options for Subject Securities.

5. This Agreement constitutes the entire understanding of the Parties with regard to the subject matter stated herein and revokes and supersedes all prior agreements between the Parties, including the Stock Sale Restriction Agreement.

6. This Agreement may be modified or amended only in writing signed by the Company and Employee; *provided, however*, that the Company may, in its sole discretion, amend or waive the provisions of Paragraph 1 above to increase the Annual Limit from time to time. No waiver of any provision of this Agreement shall be deemed a waiver of other provisions of this Agreement.

7. Employee's obligations hereunder shall be binding upon Employee's heirs, personal representatives, successors and assigns.

8. This Agreement shall be governed in accordance with the laws of the Commonwealth of Virginia, without application of conflicts of laws provisions.

9. This Amended and Restated Agreement may be executed in one or more counterparts, each of which shall constitute an original, but taken together shall constitute one and the same document. A facsimile signature shall have the same force and effect as an original signature.

[Signature page follows]

IN WITNESS WHEREOF, the Parties hereto have each caused a duly authorized officer to execute this Agreement with the intent to be legally bound as of the Effective Date.

COMPANY

By: /s/ Kent A. Murphy
Name: Kent A. Murphy
Title: President and CEO
Date: 01/23/07

EMPLOYEE

By: /s/ Dale E. Messick
Name: Dale E. Messick
Title: Chief Financial Officer
Date: 01/23/07

[Signature Page to Amended and Restated Stock Sale Restriction Agreement]

AMENDED AND RESTATED STOCK SALE RESTRICTION AGREEMENT

This Amended and Restated Stock Sale Restriction Agreement (this “**Agreement**”) is entered into as of January 23, 2007 (the “**Effective Date**”) by and between Luna Innovations Incorporated, a Delaware corporation (the “**Company**”) and Scott A. Graeff (“**Employee**”). The Company and Employee are referred to herein as the “**Parties**” and each as a “**Party**.”

RECITALS

WHEREAS, the Parties entered into a certain letter agreement dated on or about February 1, 2006 (the “**Stock Sale Restriction Agreement**”) whereby Employee agreed to certain restrictions on the sale and transfer of (i) any outstanding shares of the Company’s Common Stock, par value \$0.001 per share (“**Common Stock**”) (excluding shares that were received upon exercise of options prior to December 31, 2005) and (ii) any shares of Common Stock to be received upon exercise of options to purchase Common Stock, whether vested or unvested, that Employee held and acquired from the Company prior to the Company’s initial public offering;

WHEREAS, as of the Effective Date, Employee beneficially held an aggregate of 310,880 shares of Common Stock, which consisted of no outstanding shares of Common Stock and 310,880 shares of Common Stock issuable upon exercise of outstanding options (collectively, the “**Subject Securities**”), excluding any shares that were received upon exercise of options or warrants prior to December 31, 2005;

WHEREAS, the Parties agree and acknowledge that it is in the interests of the Company and its stockholders to amend and restate the Stock Sale Restriction Agreement to provide for additional restrictions on the number of Subject Securities which Employee can sell, with the expectation that such additional restrictions may help to prolong the Company’s eligibility for Small Business Innovation Research (“**SBIR**”) grants; and

WHEREAS, the Parties desire to amend and restate the Stock Sale Restriction Agreement pursuant to the terms and conditions provided herein.

NOW, THEREFORE, in consideration of the premises and covenants set forth herein and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Parties hereto agree as follows:

AGREEMENT

1. Employee hereby irrevocably agrees that he or she will not, directly or indirectly, (i) sell, offer for sale, pledge or otherwise dispose of (except as otherwise provided herein) greater than zero percent (0%) of Employee’s Subject Securities in calendar year 2007 and ten percent (10%) of Employee’s Subject Securities in calendar year 2008 (each such amount the “**Annual Limit**”) or (ii) enter into any swap or other derivatives transaction that transfers to another, in whole or in part, any of the economic benefits or risks of ownership of greater than the Annual Limit in any given year of the Employee’s Subject Securities, whether any such transaction described in clause (i) or (ii) above is to be settled by delivery of Common Stock or other securities, in cash

or otherwise. For purposes of this Agreement, gifts or transfers of Subject Securities to immediate family members or trusts for which Employee or his or her immediate family members are the sole primary beneficiaries shall be exempt from the restrictions of this Paragraph 1; *provided*, that the recipient of such Subject Securities shall become subject to the terms and conditions of this Agreement, shall assume Employee's obligations hereunder and shall sign an agreement of joinder to that effect.

2. Notwithstanding anything in this Agreement to the contrary, if Employee does not sell or transfer the full Annual Limit of the undersigned's Subject Securities in calendar year 2007, the unsold portion of the Annual Limit (the "**Carryover Amount**") shall be carried over to calendar year 2008 such that the Annual Limit for such calendar year shall be increased by the Carryover Amount. Notwithstanding anything in this Agreement to the contrary, the Company hereby agrees to waive the Annual Limit to the extent reasonably necessary (i) to allow Employee to sell Subject Securities to cover a tax liability that Employee may incur as a result of an exercise of vested options for Subject Securities, and (ii) in the event of Employee's termination by death or disability, to allow for the sale of Subject Securities solely to the extent necessary to pay the exercise price and related costs in connection with an exercise of vested stock options pursuant to a Company approved cashless exercise program.

3. This Agreement and the restrictions contained herein will terminate on the earliest to occur of the following: (i) the date on which the Company is no longer eligible for Small Business Innovation Research (SBIR) grants, as evidenced by an opinion of counsel mutually acceptable to the Company and Employee; (ii) the effective date of a termination of Employee's employment with the Company, provided that such termination is initiated by the Company and not by the Employee and that such termination is without Cause (as defined in the Employment Agreement between the Company and Employee, as amended from time to time); (iii) a date determined by the Company in its sole discretion at any time upon written notice to the Employee; (iv) December 31, 2008.

4. Employee acknowledges that by signing this Agreement he or she may suffer adverse consequences, including without limitation, an inability to sell Subject Securities during a time in which the Company's Common Stock is trading at a historically high price and (notwithstanding paragraph 2 above) an inability to sell Subject Securities to cover a tax liability that the undersigned may incur as a result of an exercise of vested options. The Company encourages Employee to speak with his or her personal financial, legal and/or tax advisors before signing this Agreement and also prior to any sale of shares of Common Stock or the exercise of stock options for Subject Securities.

5. This Agreement constitutes the entire understanding of the Parties with regard to the subject matter stated herein and revokes and supersedes all prior agreements between the Parties, including the Stock Sale Restriction Agreement.

6. This Agreement may be modified or amended only in writing signed by the Company and Employee; *provided, however*, that the Company may, in its sole discretion, amend or waive the provisions of Paragraph 1 above to increase the Annual Limit from time to time. No waiver of any provision of this Agreement shall be deemed a waiver of other provisions of this Agreement.

7. Employee's obligations hereunder shall be binding upon Employee's heirs, personal representatives, successors and assigns.

8. This Agreement shall be governed in accordance with the laws of the Commonwealth of Virginia, without application of conflicts of laws provisions.

9. This Amended and Restated Agreement may be executed in one or more counterparts, each of which shall constitute an original, but taken together shall constitute one and the same document. A facsimile signature shall have the same force and effect as an original signature.

[Signature page follows]

IN WITNESS WHEREOF, the Parties hereto have each caused a duly authorized officer to execute this Agreement with the intent to be legally bound as of the Effective Date.

COMPANY

By: /s/ Kent A. Murphy
Name: Kent A. Murphy
Title: President and CEO
Date: 01/23/07

EMPLOYEE

By: /s/ Scott A. Graeff
Name: Scott A. Graeff
Title: Chief Commercialization Officer
Date: 01/23/07

[Signature Page to Amended and Restated Stock Sale Restriction Agreement]

AMENDED AND RESTATED STOCK SALE RESTRICTION AGREEMENT

This Amended and Restated Stock Sale Restriction Agreement (this “**Agreement**”) is entered into as of January 23, 2007 (the “**Effective Date**”) by and between Luna Innovations Incorporated, a Delaware corporation (the “**Company**”) and Robert P. Lenk. (“**Employee**”). The Company and Employee are referred to herein as the “**Parties**” and each as a “**Party**.”

RECITALS

WHEREAS, the Parties entered into a certain letter agreement dated on or about February 1, 2006 (the “**Stock Sale Restriction Agreement**”) whereby Employee agreed to certain restrictions on the sale and transfer of (i) any outstanding shares of the Company’s Common Stock, par value \$0.001 per share (“**Common Stock**”) (excluding shares that were received upon exercise of options prior to December 31, 2005) and (ii) any shares of Common Stock to be received upon exercise of options to purchase Common Stock, whether vested or unvested, that Employee held and acquired from the Company prior to the Company’s initial public offering;

WHEREAS, as of the Effective Date, Employee beneficially held an aggregate of 118,701 shares of Common Stock, which consisted of no outstanding shares of Common Stock and 118,701 shares of Common Stock issuable upon exercise of outstanding options (collectively, the “**Subject Securities**”), excluding any shares that were received upon exercise of options or warrants prior to December 31, 2005;

WHEREAS, the Parties agree and acknowledge that it is in the interests of the Company and its stockholders to amend and restate the Stock Sale Restriction Agreement to provide for additional restrictions on the number of Subject Securities which Employee can sell, with the expectation that such additional restrictions may help to prolong the Company’s eligibility for Small Business Innovation Research (“**SBIR**”) grants; and

WHEREAS, the Parties desire to amend and restate the Stock Sale Restriction Agreement pursuant to the terms and conditions provided herein.

NOW, THEREFORE, in consideration of the premises and covenants set forth herein and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Parties hereto agree as follows:

AGREEMENT

1. Employee hereby irrevocably agrees that he or she will not, directly or indirectly, (i) sell, offer for sale, pledge or otherwise dispose of (except as otherwise provided herein) greater than zero percent (0%) of Employee’s Subject Securities in calendar year 2007 and ten percent (10%) of Employee’s Subject Securities in calendar year 2008 (each such amount the “**Annual Limit**”) or (ii) enter into any swap or other derivatives transaction that transfers to another, in whole or in part, any of the economic benefits or risks of ownership of greater than the Annual Limit in any given year of the Employee’s Subject Securities, whether any such transaction described in clause (i) or (ii) above is to be settled by delivery of Common Stock or other securities, in cash

or otherwise. For purposes of this Agreement, gifts or transfers of Subject Securities to immediate family members or trusts for which Employee or his or her immediate family members are the sole primary beneficiaries shall be exempt from the restrictions of this Paragraph 1; *provided*, that the recipient of such Subject Securities shall become subject to the terms and conditions of this Agreement, shall assume Employee's obligations hereunder and shall sign an agreement of joinder to that effect.

2. Notwithstanding anything in this Agreement to the contrary, if Employee does not sell or transfer the full Annual Limit of the undersigned's Subject Securities in calendar year 2007, the unsold portion of the Annual Limit (the "**Carryover Amount**") shall be carried over to calendar year 2008 such that the Annual Limit for such calendar year shall be increased by the Carryover Amount. Notwithstanding anything in this Agreement to the contrary, the Company hereby agrees to waive the Annual Limit to the extent reasonably necessary (i) to allow Employee to sell Subject Securities to cover a tax liability that Employee may incur as a result of an exercise of vested options for Subject Securities, and (ii) in the event of Employee's termination by death or disability, to allow for the sale of Subject Securities solely to the extent necessary to pay the exercise price and related costs in connection with an exercise of vested stock options pursuant to a Company approved cashless exercise program.

3. This Agreement and the restrictions contained herein will terminate on the earliest to occur of the following: (i) the date on which the Company is no longer eligible for Small Business Innovation Research (SBIR) grants, as evidenced by an opinion of counsel mutually acceptable to the Company and Employee; (ii) the effective date of a termination of Employee's employment with the Company, provided that such termination is initiated by the Company and not by the Employee and that such termination is without cause; (iii) a date determined by the Company in its sole discretion at any time upon written notice to the Employee; (iv) December 31, 2008.

4. Employee acknowledges that by signing this Agreement he or she may suffer adverse consequences, including without limitation, an inability to sell Subject Securities during a time in which the Company's Common Stock is trading at a historically high price and (notwithstanding paragraph 2 above) an inability to sell Subject Securities to cover a tax liability that the undersigned may incur as a result of an exercise of vested options. The Company encourages Employee to speak with his or her personal financial, legal and/or tax advisors before signing this Agreement and also prior to any sale of shares of Common Stock or the exercise of stock options for Subject Securities.

5. This Agreement constitutes the entire understanding of the Parties with regard to the subject matter stated herein and revokes and supersedes all prior agreements between the Parties, including the Stock Sale Restriction Agreement.

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7. Employee's obligations hereunder shall be binding upon Employee's heirs, personal representatives, successors and assigns.

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[Signature page follows]

IN WITNESS WHEREOF, the Parties hereto have each caused a duly authorized officer to execute this Agreement with the intent to be legally bound as of the Effective Date.

COMPANY

By: /s/ Kent A. Murphy
Name: Kent A. Murphy
Title: President and CEO
Date: 01/23/07

EMPLOYEE

By: /s/ Robert P. Lenk
Name: Robert P. Lenk
Title: Pres., Luna nanoWorks Division
Date: 01/22/07

[Signature Page to Amended and Restated Stock Sale Restriction Agreement]

AMENDED AND RESTATED STOCK SALE RESTRICTION AGREEMENT

This Amended and Restated Stock Sale Restriction Agreement (this “**Agreement**”) is entered into as of January 23, 2007 (the “**Effective Date**”) by and between Luna Innovations Incorporated, a Delaware corporation (the “**Company**”) and Scott A. Meller (“**Employee**”). The Company and Employee are referred to herein as the “**Parties**” and each as a “**Party**.”

RECITALS

WHEREAS, the Parties entered into a certain letter agreement dated on or about February 1, 2006 (the “**Stock Sale Restriction Agreement**”) whereby Employee agreed to certain restrictions on the sale and transfer of (i) any outstanding shares of the Company’s Common Stock, par value \$0.001 per share (“**Common Stock**”) (excluding shares that were received upon exercise of options prior to December 31, 2005) and (ii) any shares of Common Stock to be received upon exercise of options to purchase Common Stock, whether vested or unvested, that Employee held and acquired from the Company prior to the Company’s initial public offering;

WHEREAS, as of the Effective Date, Employee beneficially held an aggregate of 339,140 shares of Common Stock, which consisted of no outstanding shares of Common Stock and 339,140 shares of Common Stock issuable upon exercise of outstanding options (collectively, the “**Subject Securities**”), excluding any shares that were received upon exercise of options or warrants prior to December 31, 2005;

WHEREAS, the Parties agree and acknowledge that it is in the interests of the Company and its stockholders to amend and restate the Stock Sale Restriction Agreement to provide for additional restrictions on the number of Subject Securities which Employee can sell, with the expectation that such additional restrictions may help to prolong the Company’s eligibility for Small Business Innovation Research (“**SBIR**”) grants; and

WHEREAS, the Parties desire to amend and restate the Stock Sale Restriction Agreement pursuant to the terms and conditions provided herein.

NOW, THEREFORE, in consideration of the premises and covenants set forth herein and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Parties hereto agree as follows:

AGREEMENT

1. Employee hereby irrevocably agrees that he or she will not, directly or indirectly, (i) sell, offer for sale, pledge or otherwise dispose of (except as otherwise provided herein) greater than twenty-five percent (25%) of Employee’s Subject Securities in calendar year 2007 and ten percent (10%) of Employee’s Subject Securities in calendar year 2008 (each such amount the “**Annual Limit**”) or (ii) enter into any swap or other derivatives transaction that transfers to another, in whole or in part, any of the economic benefits or risks of ownership of greater than the Annual Limit in any given year of the Employee’s Subject Securities, whether any such transaction described in clause (i) or (ii) above is to be settled by delivery of Common Stock or

other securities, in cash or otherwise. For purposes of this Agreement, gifts or transfers of Subject Securities to immediate family members or trusts for which Employee or his or her immediate family members are the sole primary beneficiaries shall be exempt from the restrictions of this Paragraph 1; *provided*, that the recipient of such Subject Securities shall become subject to the terms and conditions of this Agreement, shall assume Employee's obligations hereunder and shall sign an agreement of joinder to that effect.

2. Notwithstanding anything in this Agreement to the contrary, if Employee does not sell or transfer the full Annual Limit of the undersigned's Subject Securities in calendar year 2007, the unsold portion of the Annual Limit (the "**Carryover Amount**") shall be carried over to calendar year 2008 such that the Annual Limit for such calendar year shall be increased by the Carryover Amount. Notwithstanding anything in this Agreement to the contrary, the Company hereby agrees to waive the Annual Limit to the extent reasonably necessary (i) to allow Employee to sell Subject Securities to cover a tax liability that Employee may incur as a result of an exercise of vested options for Subject Securities, and (ii) in the event of Employee's termination by death or disability, to allow for the sale of Subject Securities solely to the extent necessary to pay the exercise price and related costs in connection with an exercise of vested stock options pursuant to a Company approved cashless exercise program.

3. This Agreement and the restrictions contained herein will terminate on the earliest to occur of the following: (i) the date on which the Company is no longer eligible for Small Business Innovation Research (SBIR) grants, as evidenced by an opinion of counsel mutually acceptable to the Company and Employee; (ii) the effective date of a termination of Employee's employment with the Company, provided that such termination is initiated by the Company and not by the Employee and that such termination is without cause; (iii) a date determined by the Company in its sole discretion at any time upon written notice to the Employee; (iv) December 31, 2008.

4. Employee acknowledges that by signing this Agreement he or she may suffer adverse consequences, including without limitation, an inability to sell Subject Securities during a time in which the Company's Common Stock is trading at a historically high price and (notwithstanding paragraph 2 above) an inability to sell Subject Securities to cover a tax liability that the undersigned may incur as a result of an exercise of vested options. The Company encourages Employee to speak with his or her personal financial, legal and/or tax advisors before signing this Agreement and also prior to any sale of shares of Common Stock or the exercise of stock options for Subject Securities.

5. This Agreement constitutes the entire understanding of the Parties with regard to the subject matter stated herein and revokes and supersedes all prior agreements between the Parties, including the Stock Sale Restriction Agreement.

6. This Agreement may be modified or amended only in writing signed by the Company and Employee; *provided, however*, that the Company may, in its sole discretion, amend or waive the provisions of Paragraph 1 above to increase the Annual Limit from time to time. No waiver of any provision of this Agreement shall be deemed a waiver of other provisions of this Agreement.

7. Employee's obligations hereunder shall be binding upon Employee's heirs, personal representatives, successors and assigns.

8. This Agreement shall be governed in accordance with the laws of the Commonwealth of Virginia, without application of conflicts of laws provisions.

9. This Amended and Restated Agreement may be executed in one or more counterparts, each of which shall constitute an original, but taken together shall constitute one and the same document. A facsimile signature shall have the same force and effect as an original signature.

[Signature page follows]

IN WITNESS WHEREOF, the Parties hereto have each caused a duly authorized officer to execute this Agreement with the intent to be legally bound as of the Effective Date.

COMPANY

By: /s/ Kent A. Murphy
Name: Kent A. Murphy
Title: President and CEO
Date: 01/23/07

EMPLOYEE

By: /s/ Scott A. Meller
Name: Scott A. Meller
Title: Pres., Technology Development Div.
Date: 01/21/07

[Signature Page to Amended and Restated Stock Sale Restriction Agreement]

AMENDED AND RESTATED STOCK SALE RESTRICTION AGREEMENT

This Amended and Restated Stock Sale Restriction Agreement (this “**Agreement**”) is entered into as of January 23, 2007 (the “**Effective Date**”) by and between Luna Innovations Incorporated, a Delaware corporation (the “**Company**”) and Michael Gunther (“**Employee**”). The Company and Employee are referred to herein as the “**Parties**” and each as a “**Party**.”

RECITALS

WHEREAS, the Parties entered into a certain letter agreement dated on or about February 1, 2006 (the “**Stock Sale Restriction Agreement**”) whereby Employee agreed to certain restrictions on the sale and transfer of (i) any outstanding shares of the Company’s Common Stock, par value \$0.001 per share (“**Common Stock**”) (excluding shares that were received upon exercise of options prior to December 31, 2005) and (ii) any shares of Common Stock to be received upon exercise of options to purchase Common Stock, whether vested or unvested, that Employee held and acquired from the Company prior to the Company’s initial public offering;

WHEREAS, as of the Effective Date, Employee beneficially held an aggregate of 196,701 shares of Common Stock, which consisted of 196,701 outstanding shares of Common Stock and no shares of Common Stock issuable upon exercise of outstanding options (collectively, the “**Subject Securities**”), excluding any shares that were received upon exercise of options or warrants prior to December 31, 2005;

WHEREAS, the Parties agree and acknowledge that it is in the interests of the Company and its stockholders to amend and restate the Stock Sale Restriction Agreement to provide for additional restrictions on the number of Subject Securities which Employee can sell, with the expectation that such additional restrictions may help to prolong the Company’s eligibility for Small Business Innovation Research (“**SBIR**”) grants; and

WHEREAS, the Parties desire to amend and restate the Stock Sale Restriction Agreement pursuant to the terms and conditions provided herein.

NOW, THEREFORE, in consideration of the premises and covenants set forth herein and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Parties hereto agree as follows:

AGREEMENT

1. Employee hereby irrevocably agrees that he or she will not, directly or indirectly, (i) sell, offer for sale, pledge or otherwise dispose of (except as otherwise provided herein) greater than zero percent (0%) of Employee’s Subject Securities in calendar year 2007 and ten percent (10%) of Employee’s Subject Securities in calendar year 2008 (each such amount the “**Annual Limit**”) or (ii) enter into any swap or other derivatives transaction that transfers to another, in whole or in part, any of the economic benefits or risks of ownership of greater than the Annual Limit in any given year of the Employee’s Subject Securities, whether any such transaction described in clause (i) or (ii) above is to be settled by delivery of Common Stock or other securities, in cash

or otherwise. For purposes of this Agreement, gifts or transfers of Subject Securities to immediate family members or trusts for which Employee or his or her immediate family members are the sole primary beneficiaries shall be exempt from the restrictions of this Paragraph 1; *provided*, that the recipient of such Subject Securities shall become subject to the terms and conditions of this Agreement, shall assume Employee's obligations hereunder and shall sign an agreement of joinder to that effect.

2. Notwithstanding anything in this Agreement to the contrary, if Employee does not sell or transfer the full Annual Limit of the undersigned's Subject Securities in calendar year 2007, the unsold portion of the Annual Limit (the "**Carryover Amount**") shall be carried over to calendar year 2008 such that the Annual Limit for such calendar year shall be increased by the Carryover Amount. Notwithstanding anything in this Agreement to the contrary, the Company hereby agrees to waive the Annual Limit to the extent reasonably necessary (i) to allow Employee to sell Subject Securities to cover a tax liability that Employee may incur as a result of an exercise of vested options for Subject Securities, and (ii) in the event of Employee's termination by death or disability, to allow for the sale of Subject Securities solely to the extent necessary to pay the exercise price and related costs in connection with an exercise of vested stock options pursuant to a Company approved cashless exercise program.

3. This Agreement and the restrictions contained herein will terminate on the earliest to occur of the following: (i) the date on which the Company is no longer eligible for Small Business Innovation Research (SBIR) grants, as evidenced by an opinion of counsel mutually acceptable to the Company and Employee; (ii) the effective date of a termination of Employee's employment with the Company, provided that such termination is initiated by the Company and not by the Employee and that such termination is without cause; (iii) a date determined by the Company in its sole discretion at any time upon written notice to the Employee; (iv) December 31, 2008.

4. Employee acknowledges that by signing this Agreement he or she may suffer adverse consequences, including without limitation, an inability to sell Subject Securities during a time in which the Company's Common Stock is trading at a historically high price and (notwithstanding paragraph 2 above) an inability to sell Subject Securities to cover a tax liability that the undersigned may incur as a result of an exercise of vested options. The Company encourages Employee to speak with his or her personal financial, legal and/or tax advisors before signing this Agreement and also prior to any sale of shares of Common Stock or the exercise of stock options for Subject Securities.

5. This Agreement constitutes the entire understanding of the Parties with regard to the subject matter stated herein and revokes and supersedes all prior agreements between the Parties, including the Stock Sale Restriction Agreement.

6. This Agreement may be modified or amended only in writing signed by the Company and Employee; *provided, however*, that the Company may, in its sole discretion, amend or waive the provisions of Paragraph 1 above to increase the Annual Limit from time to time. No waiver of any provision of this Agreement shall be deemed a waiver of other provisions of this Agreement.

7. Employee's obligations hereunder shall be binding upon Employee's heirs, personal representatives, successors and assigns.

8. This Agreement shall be governed in accordance with the laws of the Commonwealth of Virginia, without application of conflicts of laws provisions.

9. This Amended and Restated Agreement may be executed in one or more counterparts, each of which shall constitute an original, but taken together shall constitute one and the same document. A facsimile signature shall have the same force and effect as an original signature.

[Signature page follows]

IN WITNESS WHEREOF, the Parties hereto have each caused a duly authorized officer to execute this Agreement with the intent to be legally bound as of the Effective Date.

COMPANY

By: /s/ Kent A. Murphy
Name: Kent A. Murphy
Title: President and CEO
Date: 01/23/07

EMPLOYEE

By: /s/ Michael Gunther
Name: Michael Gunther
Title: VP, Patents and Licensing
Date: 01/22/07

[Signature Page to Amended and Restated Stock Sale Restriction Agreement]