

EXHIBIT 1

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**UNITED STATES DISTRICT COURT
CENTRAL DISTRICT OF CALIFORNIA**

IN RE LUNA INNOVATIONS
INCORPORATED DERIVATIVE
LITIGATION

Case No. 2:24-cv-08194-CBM-KS

**STIPULATION AND AGREEMENT
OF SETTLEMENT**

This Document Relates to:

ALL ACTIONS

This Stipulation and Agreement of Settlement dated October 23, 2025 (“Stipulation”) is made and entered into by the following parties, each by and through their respective counsel: (1) plaintiffs in the above-captioned consolidated stockholder derivative action (the “Action”) pending in the United States District Court for the Central District of California (the “Court”), Fred Hays (“Hays”) and Soon Keai Jimmy Sim (“Sim”) (the “Plaintiffs”); (2) individual defendants Scott A. Graeff, Eugene J. Nastro, George Gomez-Quintero, Warren B. Phelps, III, N. Leigh Anderson, David Chanley, Pamela Coe, Gary Spiegel, Mary Beth Vitale, and Richard W. Roedel (collectively, the “Individual Defendants”); and (3) nominal defendant Luna Innovations Incorporated (“Luna” or the “Company,” and together with the Individual Defendants, “Defendants”) (the “Parties” refers collectively to Plaintiffs and Defendants).

This Stipulation, subject to the approval of the Court, is intended to fully, finally, and forever resolve, discharge, and settle any and all Released Claims (as defined herein) upon the terms and subject to the conditions set forth herein.

I. FACTUAL AND PROCEDURAL BACKGROUND

Plaintiffs allege, *inter alia*, that beginning on May 16, 2022, the Individual Defendants violated the federal securities laws and breached their fiduciary duties by issuing and/or causing the issuance of materially false and misleading statements and

1 failing to disclose, among other things, that improper accounting procedures were used to
2 calculate the Company’s quarterly and annual reports filed with the U.S. Securities and
3 Exchange Commission (“SEC”), requiring the restatement of certain previously-issued
4 financial statements.

5 **A. The Securities Class Action**

6 On April 1, 2024, plaintiff Eyad Karzoun filed a securities class action in the Court
7 against the Company and Graeff, Nestro, and Gomez-Quintero for violations of the
8 Securities Exchange Act of 1934 (the “Exchange Act”), *Karzoun v. Luna Innovations*
9 *Incorporated, et al.*, No. 2:24-cv-02630-CBM-KS, based on the issuance of materially
10 false and misleading statements substantially similar to those alleged in the Action. On
11 May 15, 2024, plaintiff Lee Michael Thompson filed a related securities class action in the
12 Court against the Company and Graeff, Nestro, and Gomez-Quintero for violations of the
13 Exchange Act, *Thompson v. Luna Innovations Incorporated, et al.*, No. 2:24-cv-04068-
14 CBM-KS, based on the issuance of materially false and misleading statements substantially
15 similar to those alleged in the Action. The Court thereafter consolidated the *Karzoun* and
16 *Thompson* actions for all purposes (the “Securities Class Action”).

17 On October 11, 2024, the lead plaintiff in the Securities Class Action filed an
18 amended complaint. (Securities Class Action, ECF No. 67). On December 10, 2024, the
19 defendants in the Securities Class Action filed motions to dismiss, which were fully briefed
20 (Securities Class Action, ECF Nos. 70, 71, 73, 76, 79, 80, 82), and thereafter withdrawn
21 when the parties agreed to participate in a private mediation (Securities Class Action, ECF
22 No. 85). During the private mediation, the parties reached an agreement in principle to
23 settle the Securities Class Action, and the lead plaintiff filed a motion for preliminary
24 approval of settlement on May 5, 2025. (Securities Class Action, ECF No. 87). The Court
25 preliminarily approved the settlement and set a final settlement hearing for December 17,
26 2025. (Securities Class Action, ECF No. 107).

27 **B. The Action**

1 On September 23, 2024, plaintiff Hays filed a Verified Shareholder Derivative
2 Complaint on behalf of Luna in the Court against the Individual Defendants alleging claims
3 for breach of fiduciary duty, aiding and abetting breach of fiduciary duty, unjust
4 enrichment, waste of corporate assets, and violations of Sections 14(a) and 10(b) of the
5 Exchange Act, originally captioned *Hays v. Graeff, et al.*, Case No. 2:24-cv-08194-CBM-
6 KS (the “*Hays Action*”). (ECF No. 1).

7 On November 22, 2024, plaintiff Hays and Defendants filed a joint motion to stay
8 the *Hays Action* pending resolution of the motion to dismiss in the Securities Class Action,
9 which was granted on November 27, 2024. (ECF Nos. 31, 32).

10 On May 21, 2025, plaintiff Sim filed a Verified Shareholder Derivative Complaint
11 on behalf of Luna in the Court against the Individual Defendants alleging claims for breach
12 of fiduciary duty, unjust enrichment, abuse of control, waste of corporate assets, violations
13 of Sections 10(b) and 20(a) of the Exchange Act, and against Graeff, Nestro, and Gomez-
14 Quintero for contribution under Sections 10(b) and 21D of the Exchange Act, originally
15 captioned *Sim v. Graeff, et al.*, Case No. 2:25-cv-04629-CBM-KS (the “*Sim Action*”). (*Sim*
16 *Action*, ECF No. 1).

17 On June 11, 2025, the Parties filed a stipulation to consolidate the *Hays* and *Sim*
18 *Actions*, appoint co-lead counsel for Plaintiffs, and apply the order staying the *Hays Action*
19 to the newly consolidated action, which was so ordered by the Court on June 24, 2025.
20 (ECF Nos. 34, 35).

21 **C. Settlement Negotiations**

22 On June 25, 2025, Plaintiffs sent a settlement demand letter to Defendants that, *inter*
23 *alia*, proposed a settlement framework that included a comprehensive set of corporate
24 governance reforms to be implemented by Luna, designed to address the alleged
25 governance deficiencies that caused and/or enabled the wrongdoing alleged in the Action.
26 On August 14, 2025, following the exchange of numerous settlement proposals and
27 counterproposals over the preceding two months, the Parties reached an agreement in
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1 principle on the material terms of a settlement of the Action, which required the adoption
2 and implementation of certain governance reforms (“Reforms”), subject to Court approval.

3 Following the Parties’ agreement in principle on the material terms of the settlement,
4 the Parties participated in an August 20, 2025, mediation session with a nationally
5 recognized mediator, Jed D. Melnick, Esq. of JAMS (the “Mediator”) to negotiate the
6 attorneys’ fees and expenses that would be paid solely by Defendants’ insurers to Plaintiffs’
7 Counsel in consideration of their efforts in achieving the substantial benefits conferred on
8 the Company by the Reforms. During that mediation, the Parties agreed to the payment of
9 \$500,000.00 in attorneys’ fees and expenses solely by Defendants’ insurers to Plaintiffs’
10 Counsel, subject to Court approval.

11 **II. PLAINTIFFS’ CLAIMS AND THE BENEFITS OF SETTLEMENT**

12 Plaintiffs believe that the derivative claims in the Action have substantial merit, and
13 Plaintiffs’ entry into this Stipulation is not intended to be and shall not be construed as an
14 admission or concession concerning the relative strength or merit of the claims alleged in
15 the Action. However, Plaintiffs and Plaintiffs’ Counsel recognize and acknowledge the
16 significant risk, expense, and length of continued proceedings necessary to prosecute the
17 derivative claims against the Individual Defendants through trial and possible appeals.
18 Plaintiffs’ Counsel also have taken into account the uncertain outcome and the risk of any
19 litigation, especially in complex cases such as the Action, as well as the difficulties and
20 delays inherent in such litigation. Plaintiffs’ Counsel are also mindful of the inherent
21 problems of establishing standing in derivative litigation, and the possible defenses to the
22 claims alleged in the Action.

23 Plaintiffs’ Counsel have conducted extensive investigation and analysis, including,
24 *inter alia*: (i) reviewing and analyzing Luna press releases, public statements, and filings
25 with the SEC; (ii) reviewing and analyzing securities analysts’ reports and advisories and
26 media reports about the Company; (iii) reviewing and analyzing the pleadings and orders
27 in the Securities Class Action; (iv) researching the applicable law with respect to the claims
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1 alleged and the potential defenses thereto; (v) preparing and filing the complaints in the
2 Action; (vi) researching and evaluating factual and legal issues relevant to the claims; (vii)
3 engaging in settlement negotiations with Defendants’ Counsel regarding the specific facts,
4 and perceived strengths and weaknesses of the Action, and other issues in an effort to
5 facilitate negotiations; (viii) researching the Company’s corporate governance structure in
6 connection with settlement efforts; (ix) preparing a comprehensive written settlement
7 demand and modified demands over the course of the Parties’ settlement negotiations; (x)
8 participating in the mediation; and (xi) negotiating and drafting this Stipulation.

9 Based on Plaintiffs’ Counsel’s thorough review and analysis of the relevant facts,
10 allegations, defenses, and controlling legal principles, Plaintiffs’ Counsel believe that the
11 Settlement set forth in this Stipulation is fair, reasonable, and adequate, and confers
12 substantial benefits upon Luna. Based upon Plaintiffs’ Counsel’s evaluation, Plaintiffs
13 have determined that the Settlement is in the best interests of Luna and its stockholders and
14 have agreed to settle the Action upon the terms and subject to the conditions set forth
15 herein.

16 **III. DEFENDANTS’ DENIALS OF WRONGDOING AND LIABILITY**

17 Defendants deny and continue to deny that they have committed or engaged in any
18 wrongdoing or violation of law whatsoever. Defendants further deny each and every claim
19 and contention alleged by Plaintiffs in the Action. Each of the Individual Defendants
20 expressly denies and continues to deny all charges of wrongdoing or liability against
21 himself, herself, or themselves arising out of, based upon, related to, or in connection with
22 any of the conduct, statements, acts, or omissions alleged, which could have been alleged,
23 or which could in the future be alleged in the Action. Each of the Defendants contends that
24 he/she/they or it has acted properly, lawfully, and in full accord with their fiduciary duties
25 at all times, and deny that he/she/they or it has ever committed or attempted to commit any
26 breach of fiduciary duty owed to the Company and its stockholders or engaged in any
27 wrongdoing whatsoever. Had the terms of the Stipulation not been reached, Defendants
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1 would have continued to deny Plaintiffs' claims, and each of the Defendants maintains that
2 he/she/they or it had and has meritorious defenses to all of the claims and allegations in the
3 Action. Without admitting the validity of any of the claims that Plaintiffs have asserted in
4 the Action, or any liability with respect thereto, Defendants have considered the uncertainty
5 and risks inherent in any litigation, the costs and burdens of continued litigation, the
6 substantial benefits conferred by the Settlement, and related considerations, and have
7 determined that it would best serve the interests of Luna and its stockholders to settle the
8 Action in the manner and upon the terms and conditions set forth in this Stipulation.

9 This Stipulation (whether or not consummated), including the exhibits hereto, the
10 Settlement, the existence of any of the provisions contained in this Stipulation, the acts
11 performed or negotiations, discussions and drafts leading to the execution of this
12 Stipulation or the Settlement, and any proceedings pursuant to or in connection with this
13 Stipulation or the approval of the Settlement (including any arguments proffered or
14 statements made in connection therewith), shall not be deemed to prejudice in any way the
15 positions of Defendants with respect to the Action or any other action or proceeding, shall
16 not be deemed a presumption, a concession, or an admission by any of Defendants of any
17 fault, liability, or wrongdoing as to any facts, claims, or defenses that have been, might
18 have been, or might in the future be alleged or asserted in the Action or with respect to any
19 of the claims settled in the Action, or that the consideration to be given hereunder represents
20 the consideration that could be or would have been recovered after trial, and shall not be
21 interpreted, construed, deemed, invoked, offered, or received in evidence or otherwise used
22 by any person in the Action, or in any other action or proceeding, except for any litigation
23 or judicial proceeding arising out of or relating to this Stipulation or the Settlement,
24 whether civil, criminal, or administrative, for any purpose other than as provided expressly
25 herein.

26 **IV. TERMS OF STIPULATION AND AGREEMENT OF SETTLEMENT**

27 NOW, THEREFORE, IT IS HEREBY STIPULATED AND AGREED by and
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1 among the undersigned counsel for the Parties herein, in consideration of the benefits
2 flowing to the Parties from the Settlement, and subject to the approval of the Court, that
3 the Released Claims shall be finally and fully compromised, settled, and released, and the
4 Action shall be dismissed with prejudice and with full preclusive effect as to all Parties,
5 upon and subject to the terms and conditions of this Stipulation, as set forth below.

6 **1. DEFINITIONS**

7 As used in this Stipulation, the following terms have the meanings specified below:

8 1.1 “Action” means the above-captioned consolidated shareholder derivative
9 action pending in the United States District Court for the Central District of California.

10 1.2 “Board” means the Board of Directors of Luna.

11 1.3 “Court” means the United States District Court for the Central District of
12 California.

13 1.4 “Current Luna Stockholders” means any Person or Persons who are record or
14 beneficial owners of Luna stock as of the date of this Stipulation and who continue to own
15 Luna stock through the date of the Settlement Hearing, excluding the Individual
16 Defendants, the officers and directors of Luna, members of their immediate families, and
17 their legal representatives, heirs, successors, or assigns, and any entity in which any of the
18 Individual Defendants has or has had a controlling interest.

19 1.5 “Defendants” means the Individual Defendants and nominal defendant, Luna.

20 1.6 “Defendants’ Counsel” means King & Spalding LLP, Jenner & Block LLP,
21 Goodwin Procter LLP, and Morgan, Lewis & Bockius LLP.

22 1.7 “Defendants’ Released Claims” means any and all manner of claims or causes
23 of action (including known and Unknown Claims), whether based on federal, state, local,
24 statutory or common law, in equity, or on any other law, rule, regulation, ordinance,
25 contract, or the law of any foreign jurisdiction, whether fixed or contingent, known or
26 unknown, liquidated or unliquidated, suspected or unsuspected, asserted or unasserted,
27 matured or unmatured, arising out of the commencement, litigation, or settlement of the
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1 Action. “Defendants’ Released Claims” shall not include claims to enforce the terms of the
2 Stipulation and/or the Judgment, and shall not include any indemnification, advancement,
3 breach of contract, employment, or insurance claims that any Released Person has or may
4 have.

5 1.8 “Defendants’ Released Persons” means Plaintiffs, Plaintiffs’ Counsel, Luna,
6 and Current Luna Stockholders solely in their capacity as Luna stockholders, and each and
7 all of their past, present, or future family members, spouses, domestic partners, parents,
8 associates, affiliates, subsidiaries, officers, directors, stockholders, owners, members,
9 representatives, employees, attorneys, financial or investment advisors, consultants,
10 underwriters, investment banks or bankers, commercial bankers, insurers, reinsurers,
11 excess insurers, co-insurers, advisors, principals, agents, heirs, executors, trustees, estates,
12 beneficiaries, distributees, foundations, general or limited partners or partnerships, joint
13 ventures, personal or legal representatives, administrators, or any other Person acting or
14 purporting to act for or on behalf of any of the foregoing.

15 1.9 “Effective Date” means the date by which all of the conditions specified in
16 paragraph 6.1 have been met.

17 1.10 “Final” means the expiration of all time to seek appeal or other review of the
18 Judgment, or if any appeal or other review of such Judgment is filed and not dismissed,
19 after such Judgment is upheld on appeal in all material respects and is no longer subject to
20 appeal, reargument, or review by writ of certiorari or otherwise, provided, however, and
21 notwithstanding any provision to the contrary in this Stipulation, “Final” shall not include,
22 and the Settlement is expressly not conditioned upon, the approval of attorneys’ fees to
23 Plaintiffs’ Counsel.

24 1.11 “Individual Defendants” means Scott A. Graeff, Eugene J. Nastro, George
25 Gomez-Quintero, Warren B. Phelps, III, N. Leigh Anderson, David Chanley, Pamela Coe,
26 Gary Spiegel, Mary Beth Vitale, and Richard W. Roedel.

27 1.12 “Judgment” means the Order and Final Judgment entered by the Court that
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1 dismisses the Action pursuant to the Settlement, substantially in the form of Exhibit E
2 attached hereto.

3 1.13 “Luna” means Luna Innovations Incorporated.

4 1.14 “Notice” means the Notice of Pendency and Proposed Settlement of
5 Stockholder Derivative Action, substantially in the form of Exhibit C attached hereto.

6 1.15 “Parties” means Plaintiffs, Individual Defendants, and Luna.

7 1.16 “Person” means any natural person, individual, corporation, partnership,
8 limited partnership, limited liability partnership, limited liability company, association,
9 joint venture, joint stock company, estate, legal representative, trust, unincorporated
10 association, government, or any political subdivision or agency thereof, any business or
11 legal entity, and any spouse, heir, legatee, executor, administrator, predecessor, successor,
12 representative, or assign of any of the foregoing.

13 1.17 “Plaintiffs” means Fred Hays and Soon Keai Jimmy Sim.

14 1.18 “Plaintiffs’ Counsel” means The Brown Law Firm, P.C., Rigrodsky Law,
15 P.A., Wolf Haldenstein Adler Freeman & Herz LLP, and Grabar Law Office.

16 1.19 “Plaintiffs Releasing Parties” means Plaintiffs, for themselves and
17 derivatively on behalf of Luna, Current Luna Stockholders, derivatively on behalf of Luna,
18 and Luna, and their respective agents, spouses, heirs, executors, administrators, personal
19 representatives, predecessors, successors, transferors, transferees, representatives, and
20 assigns, in their capacities as such, and any Person that could assert any of the Released
21 Claims on their behalf.

22 1.20 “Preliminary Approval Order” means the Preliminary Approval Order entered
23 by the Court that preliminarily approves the Settlement, authorizes the form and manner of
24 providing notice of the Settlement to Current Luna Stockholders, and sets a date for the
25 Settlement Hearing, substantially in the form of Exhibit B attached hereto.

26 1.21 “Reforms” means the corporate governance reforms set forth in Exhibit A
27 attached hereto, which the Company shall adopt, implement, and maintain, pursuant to and
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1 in accordance with this Stipulation.

2 1.22 “Released Claims” means all claims or causes of action (including known and
3 Unknown Claims), including, but not limited to, debts, demands, rights, interests, actions,
4 suits, causes of action, cross-claims, counter-claims, charges, judgments, obligations,
5 setoffs, or liabilities for any obligations of any kind whatsoever (however denominated),
6 for fees, costs, penalties, damages whenever incurred, and liabilities of any nature
7 whatsoever (including, without limitation, direct or indirect claims or demands for
8 rescission, damages, interest, attorneys’ fees, and any other costs, expenses, or liabilities
9 whatsoever, including joint and several), whether based on federal, state, local, statutory
10 or common law, in equity, or on any other law, rule, regulation, ordinance, contract, or the
11 law of any foreign jurisdiction, whether fixed or contingent, known or unknown, liquidated
12 or unliquidated, suspected or unsuspected, asserted or unasserted, matured or unmatured,
13 arising out of, based upon, related to, or in connection with (i) any act or omission alleged
14 or claims asserted in the Action, that could have been alleged or asserted on behalf of Luna
15 derivatively, including those that were threatened, asserted, or could have been threatened
16 or asserted by any of Luna’s stockholders derivatively, or that Luna could have threatened
17 or asserted directly, or that could in the future be threatened or asserted in the Action on
18 behalf of Luna derivatively or directly by Luna (ii) the defense, settlement, or resolution of
19 the Action, or (iii) the Settlement, except for any claims to enforce the Settlement, in any
20 court, tribunal, forum or proceeding, against any of the Defendants or the Released Persons.
21 “Released Claims” shall not include any claims to enforce the Stipulation, Judgment, or
22 any other document memorializing the Settlement.

23 1.23 “Released Persons” means Defendants, Defendants’ Counsel, and each and
24 all of their past, present, or future family members, spouses, domestic partners, parents,
25 associates, affiliates, subsidiaries, officers, directors, stockholders, owners, members,
26 representatives, employees, attorneys, financial or investment advisors, consultants,
27 underwriters, investment banks or bankers, commercial bankers, insurers, reinsurers,
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1 excess insurers, co-insurers, advisors, principals, agents, heirs, executors, trustees, estates,
2 beneficiaries, distributees, foundations, general or limited partners or partnerships, joint
3 ventures, personal or legal representatives, administrators, or any other Person acting or
4 purporting to act for or on behalf of any of the foregoing.

5 1.24 “Settlement” means the settlement and compromise of the Action as provided
6 for in this Stipulation.

7 1.25 “Settlement Hearing” means the hearing set by the Court to consider final
8 approval of the Settlement.

9 1.26 “Summary Notice” means the Summary Notice of Pendency and Proposed
10 Settlement of Stockholder Derivative Action, substantially in the form of Exhibit D
11 attached hereto.

12 1.27 “Unknown Claims” means any Released Claims and any Defendants’
13 Released Claims that any of the Plaintiffs Releasing Parties and any of the Released
14 Persons does not know of or suspect to exist in his, her, or its favor at the time of the release
15 of the Released Persons, including claims that, if known by him, her, or it, might have
16 affected his, her, or its settlement with and release of the Released Persons or release of
17 Defendants’ Released Persons or might have affected his, her, or its decision whether to
18 object to this Settlement. With respect to any and all Released Claims and Defendants’
19 Released Claims, the Parties stipulate and agree that, upon the Effective Date, the Plaintiffs
20 Releasing Parties and the Released Persons shall expressly waive and relinquish, and each
21 Current Luna Stockholder shall be deemed to have and by operation of the Judgment shall
22 have expressly waived and relinquished to the fullest extent permitted by law, the
23 provisions, rights and benefits conferred by and under California Civil Code § 1542, and
24 any other law of the United States or any state or territory of the United States, or principle
25 of common law, which is similar, comparable or equivalent to California Civil Code
26 § 1542, which provides:

1 A GENERAL RELEASE DOES NOT EXTEND TO CLAIMS THAT THE
2 CREDITOR OR RELEASING PARTY DOES NOT KNOW OR SUSPECT
3 TO EXIST IN HIS OR HER FAVOR AT THE TIME OF EXECUTING THE
4 RELEASE AND THAT, IF KNOWN BY HIM OR HER, WOULD HAVE
5 MATERIALLY AFFECTED HIS OR HER SETTLEMENT WITH THE
6 DEBTOR OR RELEASED PARTY.

7 The Plaintiffs Releasing Parties and Released Persons acknowledge that they and Current
8 Luna Stockholders may hereafter discover facts in addition to or different from those now
9 known or believed to be true by them, with respect to the subject matter of the Released
10 Claims and Defendants' Released Claims, but it is the intention of the Parties that the
11 Plaintiffs Releasing Parties, Released Persons, and all Current Luna Stockholders shall be
12 deemed to and by operation of the Judgment shall completely, fully, finally, and forever
13 compromise, settle, release, discharge, and extinguish any and all Released Claims and
14 Defendants' Released Claims, known or unknown, suspected or unsuspected, contingent
15 or absolute, accrued or unaccrued, apparent or unapparent, which do now exist, or
16 heretofore existed, or may hereafter exist, upon any theory of law or equity now existing
17 or coming into existence in the future, and without regard to the subsequent discovery of
18 additional or different facts. The Parties acknowledge that the foregoing waiver was
19 separately bargained for and is a key element of the Stipulation of which this release is a
20 part.

21 **2. TERMS OF THE SETTLEMENT**

22 2.1 Within thirty (30) days of issuance of the Judgment, the Board shall adopt
23 resolutions to ensure the adoption, implementation, and maintenance of the Reforms,
24 which are set forth in Exhibit A attached hereto, and which shall remain in effect for no
25 less than four (4) years from the date of implementation.

26 2.2 Luna acknowledges that the filing, prosecution, and resolution of the Action
27 comprised the cause of Luna's decision to adopt, implement, and maintain the Reforms,
28 and that the Reforms confer substantial benefits upon Luna and its current stockholders.

1 **3. APPROVAL AND NOTICE**

2 3.1 As soon as practicable, the Plaintiffs shall submit this Stipulation together
3 with its exhibits to the Court and shall apply for entry of the Preliminary Approval Order,
4 substantially in the form of Exhibit B attached hereto, requesting: (i) preliminary approval
5 of the Settlement set forth in this Stipulation; (ii) approval of the form and manner of
6 providing notice of the Settlement to Current Luna Stockholders; and (iii) a date for the
7 Settlement Hearing.

8 3.2 Within twenty-one (21) days after the entry of the Preliminary Approval
9 Order, Luna shall: (1) issue a press release with the Notice; (2) post a copy of the Notice
10 and the Stipulation (and exhibits thereto) on the Investor Relations page of the Company's
11 website; and (3) publish the Summary Notice in *Investor's Business Daily*. The Notice and
12 Summary Notice shall provide a link to the Investor Relations page on Luna's website
13 where the Notice and the Stipulation (and exhibits thereto) may be viewed, which page will
14 be maintained through the date of the Settlement Hearing. Luna shall be solely responsible
15 for paying the costs and expenses related to providing notice of the Settlement set forth in
16 this paragraph or as otherwise required by the Court. The Parties believe the form and
17 manner of the notice procedures set forth in this paragraph constitute adequate and
18 reasonable notice to Luna stockholders pursuant to applicable law and due process.

19 3.3 Pending the Court's determination as to final approval of the Settlement,
20 Plaintiffs and Luna stockholders are barred and enjoined from commencing, prosecuting,
21 instigating, or in any way participating in the commencement or prosecution of any
22 derivative action asserting any Released Claims against any of the Released Persons. The
23 Parties will request that the current proceedings in the Action, including any deadlines or
24 filing requirements, except to consummate the Settlement, be suspended.

25 **4. ATTORNEYS' FEES AND REIMBURSEMENT OF EXPENSES**

26 4.1 In consideration of the substantial benefits conferred upon Luna as a direct
27 result of the Reforms and Plaintiffs' and Plaintiffs' Counsel's efforts in connection with
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1 the Action, and subject to Court approval, Defendants’ insurers shall pay to Plaintiffs’
2 Counsel, collectively, their attorneys’ fees and costs in the amount of five hundred
3 thousand dollars (\$500,000.00) (the “Fee and Expense Amount”).

4 4.2 Within twenty (20) days of the later of (a) Plaintiffs’ Counsel providing a W-
5 9 and payment instructions in the form required by Defendants’ insurers or (b) entry of the
6 order approving the Fee and Expense Amount, Defendants’ insurers shall pay the Fee and
7 Expense Amount to the escrow account of The Brown Law Firm, P.C. (the “Escrow
8 Account”). The Fee and Expense Amount, to the extent approved by the Court, shall be
9 released from the Escrow Account once the Court enters the Judgment and an order
10 approving the Fee and Expense Amount—notwithstanding the existence of any collateral
11 attacks on the Settlement, including, without limitation, any objections or appeals—to the
12 firms comprising Plaintiffs’ Counsel. Defendants are not responsible for the allocation of
13 the Fee and Expense Amount amongst Plaintiffs’ Counsel. Plaintiffs’ Counsel shall make
14 no request to the Court for (and hereby release any right they may otherwise have to seek)
15 attorneys’ fees and/or costs beyond the Fee and Expense Amount. Plaintiffs’ Counsel shall
16 allocate the Fee and Expense Amount as agreed among themselves.

17 4.3 In the event that the Judgment fails to become Final as defined in paragraph
18 1.10, if a collateral attack is successful or the Settlement is otherwise terminated, or to the
19 extent that the Court does not approve Plaintiffs’ Counsel’s application for an award of
20 attorneys’ fees and costs in the full amount of the Fee and Expense Amount, Plaintiffs’
21 Counsel must refund the Fee and Expense Amount to the extent it is denied or reduced to
22 Defendants’ insurers within thirty (30) days from receiving notice from Defendants’
23 Counsel or from a court of appropriate jurisdiction.

24 4.4 Plaintiffs’ Counsel may apply to the Court for service awards of up to two
25 thousand five hundred dollars (\$2,500.00) for each of the two Plaintiffs to be paid from the
26 Fee and Expense Amount in recognition of Plaintiffs’ participation and effort in the
27 prosecution of the Action (the “Service Awards”). Defendants shall not object to the
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1 application for the Service Awards. The Court's decision with respect to any requested
2 service award shall have no effect on the Settlement. Neither Luna nor any of the Individual
3 Defendants shall be liable for any portion of any service award.

4 4.5 The Court's award of fees and costs is not a necessary term of this Settlement,
5 and it is not a condition of this Settlement that Plaintiffs' Counsel's application(s) for such
6 fees and costs be approved by the Court in the amount of the Fee and Expense Amount or
7 any amount. The Settlement, if approved, shall take effect regardless of any ruling
8 concerning the award of attorneys' fees and expenses to Plaintiffs' Counsel.

9 **5. RELEASES**

10 5.1 Upon the Effective Date, Plaintiffs Releasing Parties shall be deemed to have,
11 and by operation of the Judgment shall have, fully, finally, and forever released,
12 relinquished, and discharged the Released Claims against the Released Persons,
13 individually on behalf of themselves, and derivatively on behalf of Luna, and on behalf of
14 their respective agents, spouses, heirs, executors, administrators, personal representatives,
15 predecessors, successors, transferors, transferees, representatives, and assigns, in their
16 capacities as such. Plaintiffs Releasing Parties shall be deemed to have, and by operation
17 of the Judgment shall have, covenanted not to sue any Released Persons with respect to
18 any Released Claims, and shall be permanently barred and enjoined from instituting,
19 commencing or prosecuting the Released Claims against the Released Persons except to
20 enforce the releases and other terms and conditions contained in the Settlement and/or the
21 Judgment.

22 5.2 Upon the Effective Date, the Released Persons shall be deemed to have, and
23 by operation of the Judgment shall have, fully, finally, and forever released, relinquished
24 and discharged each and all of Defendants' Released Persons from Defendants' Released
25 Claims. The Released Persons shall be deemed to have, and by operation of the Judgment
26 shall have, covenanted not to sue Defendants' Released Persons with respect to any of
27 Defendants' Released Claims, and shall be permanently barred and enjoined from
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1 instituting, commencing or prosecuting Defendants' Released Claims against Defendants'
2 Released Persons except to enforce the releases and other terms and conditions contained
3 in the Stipulation and/or the Judgment.

4 **6. CONDITIONS OF SETTLEMENT; EFFECT OF DISAPPROVAL,**
5 **CANCELLATION, OR TERMINATION**

6 6.1 The Effective Date of this Stipulation shall be conditioned on the occurrence
7 of all of the following events:

8 a. Court approval of the content of the Notice and Summary Notice and method
9 of providing notice of the Settlement;

10 b. Dissemination of the notice of the Settlement pursuant to the Preliminary
11 Approval Order;

12 c. Court entry of the Judgment, in all material respects in the form set forth as
13 Exhibit E annexed hereto, approving the Settlement and dismissing the Action with
14 prejudice, without awarding costs to any party, except as provided herein;

15 d. payment of the Fee and Expense Amount, if and to the extent approved by the
16 Court, to the Escrow Account in accordance with section IV, paragraph 4.2; and

17 e. the passing of the date upon which the Judgment becomes Final.

18 6.2 If any of the conditions specified above in paragraph 6.1 are not met, then this
19 Stipulation shall be canceled and terminated subject to paragraph 6.3, unless counsel for
20 the Parties mutually agree in writing to proceed with this Stipulation.

21 6.3 If for any reason the Effective Date of this Stipulation does not occur, or if
22 this Stipulation is in any way canceled, terminated or fails to become Final in accordance
23 with its terms: (a) all Parties shall be restored to their respective positions in the Action as
24 of the date of this Stipulation; (b) all releases delivered in connection with this Stipulation
25 shall be null and void, except as otherwise provided for in this Stipulation; (c) the Fee and
26 Expense Amount paid to Plaintiffs' Counsel shall be refunded and returned in accordance
27 with paragraph 4.3; and (d) all negotiations, proceedings, documents prepared, and
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1 statements made in connection herewith shall be without prejudice to the Parties, shall not
2 be deemed or construed to be an admission by a Party of any act, matter, or proposition,
3 and shall not be used in any manner for any purpose in any subsequent proceeding in the
4 Action, or in any other action or proceeding. In such event, the terms and provisions of this
5 Stipulation, except this paragraph and paragraphs 4.3 and 7.3, shall have no further force
6 and effect with respect to the Parties and shall not be used in the Action or in any other
7 proceeding for any purpose.

8 **7. MISCELLANEOUS PROVISIONS**

9 7.1 The Parties: (i) acknowledge that it is their intent to consummate the
10 Stipulation; and (ii) agree to cooperate to the extent reasonably necessary to effectuate and
11 implement all terms and conditions of the Stipulation and to exercise their reasonable best
12 efforts to accomplish the foregoing terms and conditions of the Stipulation.

13 7.2 The Parties intend this Settlement to be a final and complete resolution of all
14 disputes between them with respect to the Action and any and all claims released herein.

15 7.3 Each of the Defendants expressly denies and continues to deny any and all
16 allegations of wrongdoing or liability against himself/herself/themselves or itself arising
17 out of, based upon, related to, or in connection with any conduct, statements, acts, or
18 omissions alleged, which could have been alleged, or which could in the future be alleged
19 in the Action. This Stipulation (whether or not consummated), including the exhibits
20 hereto, the Settlement, the existence of any of the provisions contained in this Stipulation,
21 the acts performed or negotiations, discussions and drafts leading to the execution of this
22 Stipulation or the Settlement, and any proceedings pursuant to or in connection with this
23 Stipulation or the approval of the Settlement (including any arguments proffered or
24 statements made in connection therewith), shall not be deemed to prejudice in any way the
25 respective positions of the Parties with respect to the Action or any other action or
26 proceeding, shall not be deemed a presumption, a concession, or an admission by any of
27 the Parties of any fault, liability, or wrongdoing or lack thereof as to any facts, claims, or
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1 defenses that have been, might have been, or might in the future be alleged or asserted in
2 the Action or with respect to any of the claims settled in the Action, or that the consideration
3 to be given hereunder represents the consideration that could be or would have been
4 recovered after trial, and shall not be interpreted, construed, deemed, invoked, offered, or
5 received in evidence or otherwise used by any person in the Action, or in any other action
6 or proceeding, except for any litigation or judicial proceeding arising out of or relating to
7 this Stipulation or the Settlement, whether civil, criminal, or administrative, for any
8 purpose other than as provided expressly herein. Notwithstanding the foregoing, any of
9 the Defendants may file this Stipulation or the Judgment or any order of the Court related
10 thereto in any action that may be brought against him/her/them or it in order to support a
11 defense or counterclaim based on principles of res judicata, collateral estoppel, release,
12 good faith settlement, judgment bar, or reduction, or any other theory of claim preclusion
13 or issue preclusion or similar defense or counterclaim.

14 7.4 This Stipulation may not be terminated, modified, or amended, except by an
15 agreement in writing signed by the Parties or their respective counsel.

16 7.5 This Stipulation shall be construed as if the Parties collectively prepared it,
17 and any uncertainty or ambiguity shall not be interpreted against any of the Parties.

18 7.6 This Stipulation shall be considered to have been negotiated, executed and
19 delivered, and to be wholly performed, in the State of California, and shall be governed by,
20 and interpreted in accordance with, the laws of the State of California, without regard to
21 conflict of laws principles.

22 7.7 This Stipulation and the exhibits attached hereto contain the entire
23 understanding of the Parties concerning the subject matter hereof and supersede any and
24 all prior agreements, discussions, or negotiations of the Parties, whether oral or in writing.

25 7.8 The exhibits to this Stipulation are material and integral parts hereof and are
26 fully incorporated herein. In the event that there exists a conflict or inconsistency between
27 the terms of this Stipulation and the terms of any exhibit hereto, the terms of this Stipulation
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1 shall prevail.

2 7.9 This Stipulation may be executed in any number of counterparts with the same
3 effect as if all Parties had executed the same document. All such counterparts shall be
4 construed together and shall constitute one instrument. A facsimile or electronic (e.g., PDF
5 format) copy of this Stipulation as executed shall be deemed an original.

6 7.10 Plaintiffs hereby represent and warrant that they have not assigned any of the
7 Released Claims or any rights, claims, or causes of action that were asserted, could have
8 been asserted, or could in the future be asserted arising out of, based upon, related to, or in
9 connection with any of the Released Claims.

10 7.11 The Parties agree that each of the Parties and their counsel have complied
11 fully with the applicable requirements of good faith litigation and that no action, allegation,
12 position taken, or filing was undertaken or made in bad faith or in violation of Rule 11 of
13 the Federal Rules of Civil Procedure.

14 7.12 No representations, warranties, or inducements have been made to any of the
15 Parties concerning this Stipulation or its exhibits other than the representations, warranties,
16 and covenants contained and memorialized in the Stipulation or its exhibits.

17 7.13 Each counsel or other Person executing this Stipulation or its exhibits on behalf
18 of any of the Parties hereby warrants that such Person has the full authority to do so.

19 7.14 In the event any proceedings by or on behalf of Luna, whether voluntary or
20 involuntary, are initiated under any chapter of the United States Bankruptcy Code,
21 including an act of receivership, asset seizure, or similar federal or state law action
22 (“Bankruptcy Proceedings”), the Parties agree to use their reasonable best efforts to obtain
23 all necessary orders, consents, releases, and approvals for effectuation of this Stipulation
24 in a timely and expeditious manner. In the event of any Bankruptcy Proceedings by or on
25 behalf of Luna, the Parties agree that all dates and deadlines set forth herein will be
26 extended for such periods of time as are necessary to obtain necessary orders, consents,
27 releases and approvals from the bankruptcy court to carry out the terms and conditions of
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1 the Stipulation.

2 7.15 Any planned, proposed, or actual sale, merger, or change-in-control of Luna
3 shall not void this Stipulation. This Stipulation shall be binding upon and inure to the
4 benefit of the successors and assigns of the Parties, including any and all Released Persons
5 and Defendants’ Released Persons and any corporation, partnership, or other entity into or
6 with which any Party may merge, consolidate, or reorganize. In the event of a planned,
7 proposed, or actual sale, merger, or change-in-control of Luna, the Parties shall continue
8 to seek court approval of the Settlement expeditiously, including without limitation the
9 Settlement terms reflected in this Stipulation and the Fee and Expense Amount; provided
10 that Defendants shall have no obligation to seek court approval of the Fee and Expense
11 Amount.

12 7.16 The Court shall retain jurisdiction to implement and enforce the terms of the
13 Stipulation and the Judgment, and the Parties and their undersigned counsel submit to the
14 jurisdiction of the Court for purposes of implementing and enforcing the Settlement
15 embodied in the Stipulation and Judgment.
16

17 IN WITNESS WHEREOF, the Parties have caused the Stipulation to be executed
18 by their duty authorized attorneys and dated October 23, 2025.
19

20 **THE BROWN LAW FIRM, P.C.**

KING & SPALDING LLP

21 /s/Timothy Brown

/s/ Lisa R. Bugni

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8 *Counsel for Plaintiff Sim*

9 [Additional Counsel on Signature Page]

10 **UNITED STATES DISTRICT COURT**
11 **CENTRAL DISTRICT OF CALIFORNIA**

12 IN RE LUNA INNOVATIONS
13 INCORPORATED DERIVATIVE
14 LITIGATION

Case No. 2:24-cv-08194-CBM-KS

The Hon. Consuelo B. Marshall

15 This Document Relates to:

EXHIBIT A

16 ALL ACTIONS
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19 **CORPORATE GOVERNANCE REFORMS**
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1 **I. CORPORATE GOVERNANCE REFORMS TO BE IMPLEMENTED**

2 Within thirty (30) days of issuance of a final order approving settlement of the
3 Action by the United States District Court for the Central District of California (the
4 “Court”), the board of directors (“Board”) of Luna Innovations Incorporated (“Luna,” or
5 the “Company”) shall adopt resolutions needed to ensure the adoption, implementation,
6 and maintenance of the corporate governance reforms set forth below (“Reforms”), which
7 shall remain in effect for no less than four (4) years. Luna may amend or eliminate any
8 one or more of the Reforms described herein if Luna or the Board determines in a good
9 faith exercise of its business judgment that a policy, procedure, control, or agreement
10 term is no longer necessary or advisable or conflicts with any provision of any applicable
11 law. If the Board determines that one or more of the Reforms described herein is no longer
12 necessary or advisable or conflicts with any provision of any applicable law, it shall
13 memorialize the reasons for the amendment or elimination of policy, procedure, control,
14 or agreement term in the minutes of the Board meeting at which such determination is
15 made. In the event Luna in its current form ceases to exist whether by dissolution, change
16 of control, or other means, then the settlement shall not preclude Luna (and/or any
17 acquirer) from taking any actions necessary or advisable, including amending or
18 eliminating any of the Reforms.

14 The Board acknowledges that the filing, prosecution, and resolution of the Action
15 comprised the cause of the Company’s decision to adopt, implement, and maintain the
16 Reforms, and that the Reforms confer substantial benefits upon Luna and its current
17 stockholders.

17 **1. ENHANCEMENTS TO THE DUTIES AND**
18 **RESPONSIBILITIES OF THE AUDIT COMMITTEE**

19 The Audit Committee shall make the following changes to improve the
20 effectiveness of its oversight of accounting, financial statements, and compliance:

- 21 (a) Currently, the Audit Committee Charter requires that “[t]he Audit
22 Committee [] meet at least four times each year.” Going forward, the
23 Audit Committee must meet a minimum of six (6) times per year. The
24 Audit Committee shall meet no less than twice per year in executive
25 sessions with management. At least one of the annual executive
26 sessions of the Audit Committee shall be conducted outside the
27 presence of the Company’s Chief Financial Officer (“CFO”);
- 28 (b) The Chair of the Audit Committee shall meet with the CFO at least
four (4) times annually to discuss quarterly and annual financial results

1 and legal and regulatory compliance issues. The meetings shall be
2 confidential and held outside the presence of the Chief Executive
3 Officer (“CEO”); and

- 4 (c) In its oversight capacity, the Audit Committee shall have the
5 responsibility for ensuring that the Company (*i.e.*, management)
6 implements and maintains adequate internal control over accounting
7 and financial reporting, and implements and/or maintains reporting
8 systems and procedures adequate to identify instances of fraud,
9 noncompliance with Luna’s accounting and/or revenue recognition
10 policies, and GAAP, and to ensure the integrity, accuracy,
11 completeness, and timeliness of the Company’s financial statements.

12 **2. ENHANCED ROLE OF INTERNAL AUDIT**

- 13 (a) The Company, working in conjunction with Luna’s independent
14 Auditors, shall ensure the scope of its internal audits cover all critical
15 financial and operational areas, with particular emphasis on
16 compliance with GAAP, financial controls, revenue recognition, and
17 compliance with legal and regulatory requirements;
- 18 (b) Internal Audit shall conduct a comprehensive audit of all financial and
19 operational processes at least once a year;
- 20 (c) The Internal Audit team and/or the Chief Accounting Officer shall
21 provide briefings to the Audit Committee, at least quarterly, with
22 additional meetings scheduled as needed, presenting audit findings,
23 identified risks, and recommendations for remediation of problems and
24 improvement;
- 25 (d) The Company shall continue its use of a confidential reporting channel
26 between the Internal Audit team and the Audit Committee, enabling
27 auditors to report any concerns or potential conflicts of interest without
28 fear of retaliation;
- (e) When management or Internal Audit findings reveal material issues or
recurring problems, the Company shall conduct a thorough root cause
analysis to identify the underlying factors causing or contributing to
these issues, which shall be reported to the Audit Committee as soon
as practicable;

- 1 (f) Internal audits shall scrutinize revenue recognition practices, ensuring
2 compliance with relevant accounting standards such as GAAP.

3 **3. EXECUTIVE REPORTING TO THE BOARD**

4 The Board shall receive and review quarterly reports from management
5 concerning: (i) the Company's accounting policies and procedures, including whether
6 such policies and procedures comply with GAAP; (ii) the need to take additional
7 measures to comply with GAAP; (iii) material changes to the Company's internal control
8 over financial reporting; and (iv) material issues related to the Company's legal and
9 regulatory compliance.

10 **4. ENHANCEMENTS TO THE DUTIES AND
11 RESPONSIBILITIES OF THE CHIEF ACCOUNTING
12 OFFICER**

13 The duties and responsibilities of the Chief Accounting Officer ("CAO") shall
14 include ensuring that the Company's financial reporting policies, procedures, and
15 practices comply with GAAP and all applicable laws and regulations.

16 The CAO will assist the Audit Committee and the Board in fulfilling their oversight
17 duties with respect to the Company's internal control over financial reporting. The CAO's
18 responsibilities shall include:

- 19 (a) Overseeing the Company's accounting functions and internal control
20 over financial reporting and ensuring the integrity of the Company's
21 financial statements;
- 22 (b) Ensuring timely and accurate closing of books each financial period
23 and overseeing the preparation of accurate and timely financial
24 statements;
- 25 (c) Reviewing and evaluating any proposed disclosures by the Company
26 that include financial metrics to ensure that such metrics and proposed
27 disclosures conform to GAAP and applicable regulations;
- 28 (d) Advising the Audit Committee in its oversight of the Company's
internal control over financial reporting; and
- (e) Ensuring that revenue, particularly with respect to commercial
transactions, is recognized in accordance with GAAP.

1 **5. INCENTIVE COMPENSATION RECOVERY POLICY**

2 The Incentive Compensation Recovery Policy shall provide for recoupment of
3 payouts when an executive officer has engaged in misconduct as pre-defined by the
4 Compensation Committee. The pre-defined misconduct will include, but not be limited
5 to, any material violation of a Company policy that causes significant harm to the
6 Company. The definition of misconduct under this policy must include grossly negligent,
7 knowing, or intentional misconduct, and extend to management-level employees’
8 supervisory responsibilities.

7 **6. EMPLOYEE TRAINING IN RISK ASSESSMENT**

8 Luna’s existing training program shall adhere to the following conditions:

- 9 (a) There shall be an annual employee training program focused on
10 compliance, internal controls policies and procedures, compliance
11 risk assessment, and complaint reporting and investigation. The
12 General Counsel shall be authorized and provided the resources
13 necessary to retain external consultants and vendors as they deem
14 necessary to develop and implement the training program;
- 14 (b) The training shall be mandatory for all directors, officers, and
15 employees of Luna. Training shall be annual for all such persons, and
16 in the event a person is appointed or hired after the annual training for
17 a particular year, a special training session shall be held for such
18 individual within thirty (30) business days of their appointment or
19 hiring; and
- 19 (c) Training shall include coverage of risk assessment and compliance,
20 the Code of Business Conduct and Ethics, any applicable corporate
21 governance guidelines, the particular rules and procedures pertinent
22 to the employees’ operational responsibilities, and any and all other
23 manuals or policies established by Luna concerning legal or ethical
24 standards of conduct to be observed in connection with work
25 performed for Luna.

24 **7. THE POSITION OF GENERAL COUNSEL**

25 The General Counsel’s responsibilities shall include:
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- (a) Being available to assist the Audit Committee and the Board in fulfilling their oversight duties with respect to the Company’s compliance with applicable laws and regulations;
- (b) Establishing and reviewing effective processes and procedures with respect to risk assessment and risk management;
- (c) Meeting with the Audit Committee at least every quarter to discuss ongoing and potential litigation and compliance issues; and
- (d) Supporting human resources on employee training in risk assessment and legal and regulatory compliance.

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**UNITED STATES DISTRICT COURT
CENTRAL DISTRICT OF CALIFORNIA**

IN IN RE LUNA INNOVATIONS
INCORPORATED DERIVATIVE
LITIGATION

Case No. 2:24-cv-08194-CBM-KS

EXHIBIT B

This Document Relates to:

ALL ACTIONS

[PROPOSED] PRELIMINARY APPROVAL ORDER

Plaintiffs have made an unopposed motion, pursuant to Rule 23.1 of the Federal Rules of Civil Procedure, for an order: (i) preliminarily approving the proposed Settlement of the Action and the stockholder derivative claims brought on behalf of Luna in accordance with the Stipulation and Agreement of Settlement dated October 23, 2025 (the “Stipulation”)¹; (ii) approving the form and manner of the notice of the Settlement to Current Luna Stockholders; and (iii) setting a date for the Settlement Hearing.

WHEREAS, the Stipulation sets forth the terms and conditions of the Settlement, including, but not limited to the release of, *inter alia*, Plaintiffs’ claims and dismissal of the Action with prejudice;

WHEREAS, the Court having: (i) read and considered Plaintiffs’ Unopposed Motion for Preliminary Approval of Stockholder Derivative Settlement together with the accompanying Memorandum of Points and Authorities; and (ii) read and considered the Stipulation, as well as all the exhibits attached thereto;

¹ All defined terms herein have the same meaning as in the Stipulation unless otherwise noted.

1 WHEREAS, the Court finds, upon a preliminary evaluation, that the proposed
2 Settlement falls within the range of possible approval criteria, as it provides a beneficial
3 result for Luna and appears to be the product of serious, informed, non-collusive
4 negotiations between experienced, well-informed counsel as overseen by an experienced
5 mediator; and

6 WHEREAS, the Court also finds, upon a preliminary evaluation, that Luna
7 stockholders should be apprised of the Settlement through the proposed form and means
8 of notice, which constitutes the best notice practicable under the circumstances and
9 complies fully with the requirements of Fed. R. Civ. P. 23.1 and due process, and should
10 be allowed an opportunity to file objections, if any, thereto, and appear at the Settlement
11 Hearing.

12 NOW, THEREFORE, IT IS HEREBY ORDERED, ADJUDGED, AND DECREED
13 AS FOLLOWS:

14 1. This Court, for purposes of this Preliminary Approval Order, adopts the
15 definitions set forth in the Stipulation.

16 2. This Court preliminarily approves, subject to further consideration at the
17 Settlement Hearing described below, the Settlement as set forth in the Stipulation as being
18 fair, reasonable, and adequate.

19 3. A hearing shall be held on [REDACTED], 2025 at [REDACTED].m., before the
20 Honorable Consuelo B. Marshall, at the United States District Court for the Central District
21 of California, First Street Courthouse, 350 W. 1st Street, Los Angeles, California 90012
22 (the "Settlement Hearing"), at which the Court will determine: (i) whether the terms of the
23 Stipulation should be approved as fair, reasonable, and adequate; (ii) whether the notice of
24 the Settlement fully satisfied the requirements of Fed. R. Civ. P. 23.1 and the requirements
25 of due process; (iii) whether all Released Claims against the Released Persons should be
26 fully and finally released; (iv) whether the agreed-to Fee and Expense Amount and Service
27 Awards should be approved; and (v) such other matters as the Court may deem appropriate.
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1 4. The Court finds that the form, substance, and dissemination of information
2 regarding the proposed Settlement in the manner set out in this Preliminary Approval Order
3 constitutes the best notice practicable under the circumstances and complies fully with Fed.
4 R. Civ. P. 23.1 and due process.

5 5. Within twenty-one (21) days after the entry of this Preliminary Approval
6 Order, Luna shall: (1) issue a press release with the Notice; (2) post a copy of the Notice
7 and the Stipulation (and exhibits thereto) on the Investor Relations page of the Company's
8 website; and (3) publish the Summary Notice in *Investor's Business Daily*.

9 6. All costs incurred in the issuing, posting, and publication of the notice of the
10 Settlement shall be paid by Luna, and Luna shall undertake all administrative responsibility
11 for the issuance, posting, and publication of the notice of the Settlement.

12 7. At least thirty (30) days prior to the Settlement Hearing, Luna's Counsel shall
13 file with the Court an appropriate affidavit or declaration with respect to issuance, posting,
14 and publication of the notice of the Settlement as provided for in paragraph 5 of this
15 Preliminary Approval Order.

16 8. All Current Luna Stockholders shall be subject to and bound by the provisions
17 of the Stipulation and the releases contained therein, and by all orders, determinations, and
18 judgments in the Action concerning the Settlement, whether favorable or unfavorable to
19 Current Luna Stockholders.

20 9. Pending the Court's determination as to final approval of the Settlement,
21 Plaintiffs and Luna stockholders are barred and enjoined from commencing, prosecuting,
22 instigating, or in any way participating in the commencement or prosecution of any
23 derivative action asserting any Released Claims against any of the Released Persons.

24 10. Any stockholder of Luna common stock may appear and show cause, if he,
25 she, or it has any reason why the Settlement embodied in the Stipulation should not be
26 approved as fair, reasonable, and adequate, or why a judgment should or should not be
27 entered hereon, or the Fee and Expense Amount or Service Awards should not be awarded.
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1 However, no Luna stockholder shall be heard or entitled to contest the approval of the
2 Settlement, or, if approved, the Judgment to be entered thereon, unless that Luna
3 stockholder has filed, and served on counsel specified below: (i) a written notice of
4 objection with the case name and number (*In re Luna Innovations Incorporated Derivative*
5 *Litigation*, Case No. 2:24-cv-08194-CBM-KS (C.D. Cal.)); (ii) the Person's name, legal
6 address, and telephone number; (iii) notice of whether such Person intends to appear at the
7 Settlement Hearing and the reasons such Person desires to appear and be heard, and
8 whether such Person is represented by counsel and if so, contact information for counsel;
9 (iv) competent evidence that such Person held shares of Luna common stock as of the date
10 of the Stipulation and continues to hold such stock as of the date the objection is made,
11 including the date(s) such shares were acquired; (v) a statement of objections to any matters
12 before the Court, the grounds therefor, as well as all documents or writings such Person
13 desires the Court to consider; and (vi) the identities of any witnesses such Person plans on
14 calling at the Settlement Hearing, along with a proffer of their anticipated testimony.

15 11. At least twenty-one (21) days prior to the Settlement Hearing, any such person
16 must file the written objection(s) and corresponding materials with the Clerk of the Court,
17 United States District Court for the Central District of California, 350 W. 1st Street, Los
18 Angeles, California 90012 and serve such materials by that date, on each of the following
19 Parties' counsel:
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1 *Counsel for Plaintiffs:*

Counsel for Defendants:

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6 **RIGRODSKY LAW, P.A.**

7 Timothy J. MacFall
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9 Garden City, NY 11530

10 12. Only stockholders who have filed with the Court and served the Parties'
11 counsel valid and timely written notices of objection and notices of appearance will be
12 entitled to be heard at the hearing unless the Court orders otherwise.

13 13. Any Person who fails to appear or object in the manner provided herein shall
14 be deemed to have waived such objection and shall forever be foreclosed from making any
15 objection to the fairness, reasonableness, or adequacy of the Settlement and to the Fee and
16 Expense Amount and Service Awards unless otherwise ordered by the Court, but shall be
17 forever bound by the Judgment to be entered and the releases to be given as set forth in the
18 Stipulation.

19 14. The Plaintiffs shall file their motion for final approval of the Settlement at
20 least twenty-eight (28) days prior to the Settlement Hearing. If there is any objection to the
21 Settlement, the deadline for filings in response to the objection(s) is seven (7) days prior to
22 the Settlement Hearing.

23 15. All proceedings in the Action are stayed until further order of the Court,
24 except as may be necessary to implement the Settlement or comply with the terms of the
25 Stipulation and this Preliminary Approval Order.

26 16. This Court may, for good cause, extend any of the deadlines set forth in this
27 Preliminary Approval Order without further notice to Luna stockholders.
28

1 17. The Stipulation, including the exhibits thereto, the Settlement, the existence
2 of any of the provisions contained in the Stipulation, the acts performed or negotiations,
3 discussions and drafts leading to the execution of the Stipulation or the Settlement, and any
4 proceedings pursuant to or in connection with the Stipulation or the approval of the
5 Settlement (including any arguments proffered or statements made in connection
6 therewith), shall not be deemed to prejudice in any way the positions of Defendants with
7 respect to the Action or any other action or proceeding, shall not be deemed a presumption,
8 a concession, or an admission by any of Defendants of any fault, liability, or wrongdoing
9 as to any facts, claims, or defenses that have been, might have been, or might in the future
10 be alleged or asserted in the Action or with respect to any of the claims settled in the Action,
11 or that the consideration to be given thereunder represents the consideration that could be
12 or would have been recovered after trial, and shall not be interpreted, construed, deemed,
13 invoked, offered, or received in evidence or otherwise used by any person in the Action, or
14 in any other action or proceeding, except for any litigation or judicial proceeding arising
15 out of or relating to the Stipulation or the Settlement, whether civil, criminal, or
16 administrative, for any purpose other than as provided expressly in the Stipulation.

17 18. The Court may, in its discretion, decide to hold the Settlement Hearing
18 telephonically or by videoconference and/or to change the date and/or time of the
19 Settlement Hearing without further notice to Current Luna Stockholders. Any Current Luna
20 Stockholder (or his, her or its counsel) who wishes to appear at the Settlement Hearing
21 should consult the Court's calendar or the Investor Relations page of Luna's website, for
22 any change in the format, date, or time of the Settlement Hearing. The Court may approve
23 the Settlement and any of its terms, with such modifications as may be agreed to by the
24 Parties, if appropriate, without further notice to Current Luna Stockholders. The Court
25 retains jurisdiction to consider all further applications arising out of or connected with the
26 Settlement.

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IT IS SO ORDERED.

DATED:

HONORABLE CONSUELO B. MARSHALL
UNITED STATES DISTRICT JUDGE

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1 Robert C. Moest, Of Counsel, SBN 62166
2 **THE BROWN LAW FIRM, P.C.**
3 2530 Wilshire Boulevard, Second Floor
4 Santa Monica, CA 90403
5 Telephone: (310) 915-6628
6 Facsimile: (310) 915-9897
7 Email: RMoest@aol.com

8 *Counsel for Plaintiff Sim*

9 [Additional Counsel on Signature Page]

10 **UNITED STATES DISTRICT COURT**
11 **CENTRAL DISTRICT OF CALIFORNIA**

12 IN RE LUNA INNOVATIONS
13 INCORPORATED DERIVATIVE
14 LITIGATION

Case No. 2:24-cv-08194-CBM-KS

The Hon. Consuelo B. Marshall

EXHIBIT C

15 This Document Relates to:

16 ALL ACTIONS

17
18
19 **NOTICE OF PENDENCY AND PROPOSED SETTLEMENT OF**
20 **STOCKHOLDER DERIVATIVE ACTION**

1 TO: **ALL CURRENT RECORD HOLDERS AND BENEFICIAL OWNERS OF**
2 **LUNA INNOVATIONS INCORPORATED (“LUNA” OR THE**
3 **“COMPANY”) COMMON STOCK, WHO HAVE HELD IT SINCE**
4 **OCTOBER 23, 2025.**

5 PLEASE READ THIS NOTICE CAREFULLY AND IN ITS ENTIRETY. THIS NOTICE
6 RELATES TO A PROPOSED SETTLEMENT AND DISMISSAL WITH PREJUDICE
7 OF STOCKHOLDER DERIVATIVE LITIGATION AND CONTAINS IMPORTANT
8 INFORMATION REGARDING YOUR RIGHTS.

9 IF THE COURT APPROVES THE SETTLEMENT OF THE DERIVATIVE ACTION,
10 CURRENT LUNA STOCKHOLDERS WILL BE FOREVER BARRED FROM
11 CONTESTING THE APPROVAL OF THE PROPOSED SETTLEMENT AND
12 DISMISSAL WITH PREJUDICE, AND FROM PURSUING RELEASED CLAIMS.

13 THIS ACTION IS NOT A “CLASS ACTION.” THUS, THERE IS NO COMMON FUND
14 UPON WHICH YOU CAN MAKE A CLAIM FOR A MONETARY PAYMENT.

15 PLEASE TAKE NOTICE that this action is being settled on the terms set forth in a
16 Stipulation and Agreement of Settlement dated October 23, 2025 (the “Stipulation”). The
17 purpose of this Notice is to inform you of:

18 • the existence of the above-captioned consolidated derivative action pending
19 in the United States District Court for the Central District of California (the “Court”)
20 captioned *In re Luna Innovations Incorporated Derivative Litigation*, Case No. 2:24-cv-
21 08194-CBM-KS (the “Action”),

22 • the proposed settlement between Plaintiffs and Defendants (together,
23 “Parties”) reached in the Action (the “Settlement”),

24 • the hearing to be held by the Court to consider the fairness, reasonableness,
25 and adequacy of the Settlement and dismissal of the Action with prejudice,

26 • Plaintiffs’ Counsel’s application to the Court for a Fee and Expense Amount
27 to be paid solely by Defendants’ insurers, and

28 • Plaintiffs’ Counsel’s application to the Court for Service Awards to each of
the two Plaintiffs.

1 This Notice describes what steps you may take in relation to the Settlement. This
2 Notice is not an expression of any opinion by the Court about the truth or merits of
3 Plaintiffs’ claims or Defendants’ defenses. This Notice is solely to advise you of the
4 proposed Settlement of the Action and of your rights in connection with the proposed
5 Settlement.

6 Summary

7 On October 23, 2025, Luna, in its capacity as a nominal defendant, entered into the
8 Stipulation to resolve the Action, which Stipulation was filed in the Court. The Action was
9 prosecuted derivatively on behalf of Luna against certain current and former directors and
10 officers of the Company and against the Company as a nominal defendant. The Stipulation,
11 and the settlement contemplated therein (the “Settlement”), subject to the approval of the
12 Court, are intended by the Parties to fully, finally, and forever compromise, resolve,
13 discharge, and settle the Released Claims and to result in the complete dismissal of the
14 Action with prejudice, upon the terms and subject to the conditions set forth in the
15 Stipulation. The proposed Settlement requires the Company to adopt and maintain certain
16 corporate governance reforms and procedures, as outlined in Exhibit A to the Stipulation
17 (the “Reforms”).

18 In recognition of the substantial benefits conferred upon Luna as a direct result of
19 the Reforms achieved through the prosecution and Settlement of the Action, and subject to
20 Court approval, the Parties agreed on August 20, 2025 that Defendants’ insurers shall pay
21 to Plaintiffs’ Counsel attorneys’ fees and expenses in the amount of five hundred thousand
22 dollars (\$500,000.00) (the “Fee and Expense Amount”). Plaintiffs’ Counsel shall also
23 apply to the Court for service awards to be paid to the two Plaintiffs in an amount of up to
24 two thousand five hundred dollars (\$2,500.00) each (the “Service Awards”), to be paid out
25 of the Fee and Expense Amount.

26 This notice is a summary only and does not describe all of the details of the
27 Stipulation and its exhibits. For full details of the matters discussed in this summary, please
28 see the Stipulation and its exhibits posted on the Investor Relations page of the Company’s
website, www.██████████, contact Plaintiffs’ Counsel as set forth below, or inspect the full
Stipulation and its exhibits filed with the Clerk of the Court.

What is the Lawsuit About?

The Action is brought derivatively on behalf of nominal defendant Luna and alleges, *inter alia*, that beginning on May 16, 2022, the Individual Defendants violated the federal securities laws and breached their fiduciary duties by issuing and/or causing the issuance

1 of material misrepresentations and failed to disclose, among other things, that improper
2 accounting procedures were used to calculate the Company’s financial statements included
3 in filings with the U.S. Securities and Exchange Commission, requiring the restatement of
4 certain previously-issued financial statements. The Action alleges that, as a result of the
foregoing, the Company sustained financial and reputational harm.

5 Why is there a Settlement of the Action?

6 The Court has not decided in favor of Defendants or Plaintiffs. Instead, the Parties
7 agreed to the Settlement to avoid the distraction, costs, and risks of further litigation, and
8 because the Parties agree, and the Company has determined, that the Reforms that the
9 Company will adopt, implement, and maintain as part of the Settlement provide substantial
benefits to Luna and its stockholders.

10 Defendants deny and continue to deny that they have committed or engaged in any
11 wrongdoing or violation of law whatsoever. Defendants further deny each and every claim
12 and contention alleged by Plaintiffs in the Action. Each of the Individual Defendants
13 expressly denies and continues to deny all charges of wrongdoing or liability against
14 himself, herself, or themselves arising out of, based upon, related to, or in connection with
15 any of the conduct, statements, acts, or omissions alleged, which could have been alleged,
16 or which could in the future be alleged in the Action. Each of the Defendants contends that
17 he/she/they or it has acted properly, lawfully, and in full accord with their fiduciary duties
18 at all times, and deny that he/she/they or it has ever committed or attempted to commit any
19 breach of fiduciary duty owed to the Company and its stockholders or engaged in any
20 wrongdoing whatsoever. Had the terms of the Stipulation not been reached, Defendants
21 would have continued to deny Plaintiffs’ claims, and each of the Defendants maintains that
22 he/she/they or it had and has meritorious defenses to all of the claims and allegations in the
23 Action. Without admitting the validity of any of the claims that Plaintiffs have asserted in
24 the Action, or any liability with respect thereto, Defendants have considered the uncertainty
25 and risks inherent in any litigation, the costs and burdens of continued litigation, the
26 substantial benefits conferred by the Settlement, and related considerations, and have
27 determined that it would best serve the interests of Luna and its stockholders to settle the
28 Action in the manner and upon the terms and conditions set forth in the Stipulation.

23 The Settlement Hearing, and Your Right to Object to the Settlement

25 On [REDACTED], 2025, the Court entered an order preliminarily approving the
26 Stipulation and the Settlement contemplated therein (the “Preliminary Approval Order”)
27 and providing for notice of the Settlement to be provided to current Luna stockholders who
28 owned Luna stock as of October 23, 2025 (“Current Luna Stockholders”). The Preliminary

1 Approval Order further provides that the Court will hold a hearing (the “Settlement
2 Hearing”) on [REDACTED], 2025 at [REDACTED].m. before the Honorable Consuelo B. Marshall
3 at the United States District Court for the Central District of California, First Street
4 Courthouse, 350 W. 1st Street, Los Angeles, California 90012 to, among other things: (i)
5 determine whether the proposed Settlement is fair, reasonable and adequate and in the best
6 interests of the Company and its stockholders; (ii) consider any objections to the Settlement
7 submitted in accordance with this Notice; (iii) determine whether a judgment should be
8 entered dismissing all claims in the Action with prejudice, and releasing the Released
9 Claims against the Released Persons; (iv) determine whether the Court should approve the
10 agreed-to Fee and Expense Amount; (v) determine whether the Court should approve the
11 Service Awards to each of the two Plaintiffs, which shall be funded from the Fee and
12 Expense Amount approved by the Court; and (vi) consider any other matters that may
13 properly be brought before the Court in connection with the Settlement. Upon final
14 approval of the Settlement, the Action will be dismissed with prejudice.

15
16 The Court may, in its discretion, decide to hold the Settlement Hearing
17 telephonically or by videoconference and/or to change the date and/or time of the
18 Settlement Hearing without further notice to you. If you intend to attend the Settlement
19 Hearing, please consult the Court’s calendar or the Investor Relations page of the
20 Company’s website, [www.\[REDACTED\]](http://www.[REDACTED]), for any change in the format, date, or time of the
21 Settlement Hearing.

22
23 Any Current Luna Stockholder who wishes to object to the fairness, reasonableness,
24 or adequacy of the Settlement as set forth in the Stipulation, or to the Fee and Expense
25 Amount or Service Awards, may file with the Court a written objection. An objector must,
26 at least twenty-one (21) days prior to the Settlement Hearing: (1) file with the Clerk of the
27 Court and serve (either by hand delivery or by first class mail) upon the below listed
28 counsel a written objection to the Settlement setting forth (i) a written notice of objection
with the case name and number (*In re Luna Innovations Incorporated Derivative
Litigation*, Case No. 2:24-cv-08194-CBM-KS (C.D. Cal.)); (ii) the Person’s name, legal
address, and telephone number; (iii) notice of whether such Person intends to appear at the
Settlement Hearing and the reasons such Person desires to appear and be heard, and
whether such Person is represented by counsel and if so, contact information for counsel;
(iv) competent evidence that such Person held shares of Luna common stock as of the date
of the Stipulation and continues to hold such stock as of the date the objection is made,
including the date(s) such shares were acquired; (v) a statement of objections to any matters
before the Court, the grounds therefor, as well as all documents or writings such Person
desires the Court to consider; and (vi) the identities of any witnesses such Person plans on
calling at the Settlement Hearing, along with a proffer of their anticipated testimony. Any
objector who does not timely file and serve a notice of intention to appear in accordance

1 with this paragraph shall be foreclosed from raising any objection to the Settlement and
2 from objecting at the Settlement Hearing, except for good cause shown.

3 *IF YOU MAKE A WRITTEN OBJECTION, IT MUST BE RECEIVED BY THE*
4 *CLERK OF THE COURT NO LATER THAN [REDACTED], 2025.* The Clerk's address is:

5 Clerk of the Court,
6 United States District Court for the Central District of California
7 First Street Courthouse
8 350 W. 1st Street
9 Los Angeles, California 90012

10 *YOU ALSO MUST DELIVER COPIES OF THE MATERIALS TO PLAINTIFFS'*
11 *COUNSEL AND DEFENDANTS' COUNSEL SO THEY ARE RECEIVED NO LATER*
12 *THAN [REDACTED], 2025.* Counsel's addresses are:

13 **Counsel for Plaintiffs:**
14 THE BROWN LAW FIRM, P.C.
15 Timothy Brown
16 767 Third Avenue, Suite 2501
17 New York, NY 10017

18 RIGRODSKY LAW, P.A.
19 Timothy J. MacFall
20 825 East Gate Boulevard, Suite 300
21 Garden City, NY 11530

22 **Counsel for Defendants:**
23 KING & SPALDING LLP
24 Lisa Bugni
25 633 West Fifth Street, Suite 1600
26 Los Angeles, CA 90071
27
28

23 An objector may file an objection on his, her, or its own or through an attorney hired
24 at his, her, or its own expense. If an objector hires an attorney to represent him, her, or it
25 for the purposes of making such objection, the attorney must serve (either by hand delivery
26 or by first class mail) a notice of appearance on the counsel listed above and file such notice
27 with the Court no later than twenty-one (21) days before the Settlement Hearing. Any Luna
28 stockholder who does not timely file and serve a written objection complying with the

1 above terms shall be deemed to have waived, and shall be foreclosed from raising, any
2 objection to the Settlement, and any untimely objection shall be barred.

3 Any objector who files and serves a timely, written objection in accordance with the
4 instructions above, may appear at the Settlement Hearing either in person or through
5 counsel retained at the objector's expense. Objectors need not attend the Settlement
6 Hearing, however, in order to have their objections considered by the Court.

7 If you are a Current Luna Stockholder and do not take steps to appear in this action
8 and object to the proposed Settlement, you will be bound by the Judgment of the Court and
9 will forever be barred from raising an objection to the settlement in the Action, and from
10 pursuing any of the Released Claims.

11 **CURRENT LUNA STOCKHOLDERS AS OF OCTOBER 23, 2025 WHO
12 HAVE NO OBJECTION TO THE SETTLEMENT DO NOT NEED TO APPEAR
13 AT THE SETTLEMENT HEARING OR TAKE ANY OTHER ACTION.**

14 Interim Stay and Injunction

15 Pending the Court's determination as to final approval of the Settlement, Plaintiffs
16 and Plaintiffs' Counsel, and all Luna Stockholders, derivatively on behalf of Luna, are
17 barred and enjoined from commencing, prosecuting, instigating, or in any way
18 participating in the commencement or prosecution of any derivative action asserting any
19 Released Claims derivatively against any of the Released Persons in any court or tribunal.

20 Scope of the Notice

21 This Notice is a summary description of the Action, the complaints, the terms of the
22 Settlement, and the Settlement Hearing. For a more detailed statement of the matters
23 involved in the Action, reference is made to them in the Stipulation and its exhibits, copies
24 of which may be reviewed and downloaded at the investor relations page of the Company's
25 website, www.██████████.

26 * * *

27 You may obtain further information by contacting Plaintiffs' Counsel at: Timothy
28 Brown, The Brown Law Firm, P.C., 767 Third Avenue, Suite 2501, New York, NY 10017,
Telephone: (516) 922-5427, E-mail: tbrown@thebrownlawfirm.net, or Timothy J.
MacFall, Rigrodsky Law, P.A., 825 East Gate Boulevard, Suite 300, Garden City, NY

1 11530, Telephone: (516) 683-3516, E-mail: tjm@rl-legal.com. **Please Do Not Call the**
2 **Court or Defendants with Questions About the Settlement.**

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1 Robert C. Moest, Of Counsel, SBN 62166
2 **THE BROWN LAW FIRM, P.C.**
3 2530 Wilshire Boulevard, Second Floor
4 Santa Monica, CA 90403
5 Telephone: (310) 915-6628
6 Facsimile: (310) 915-9897
7 Email: RMoest@aol.com

8 *Counsel for Plaintiff Sim*

9 [Additional Counsel on Signature Page]

10 **UNITED STATES DISTRICT COURT**
11 **CENTRAL DISTRICT OF CALIFORNIA**

12 IN RE LUNA INNOVATIONS
13 INCORPORATED DERIVATIVE
14 LITIGATION

Case No. 2:24-cv-08194-CBM-KS

The Hon. Consuelo B. Marshall

EXHIBIT D

15 This Document Relates to:

16 ALL ACTIONS

17
18
19 **SUMMARY NOTICE OF PENDENCY AND PROPOSED SETTLEMENT OF**
20 **STOCKHOLDER DERIVATIVE ACTION**

1 TO: **ALL CURRENT RECORD HOLDERS AND BENEFICIAL OWNERS OF**
2 **LUNA INNOVATIONS INCORPORATED (“LUNA” OR THE**
3 **“COMPANY”) COMMON STOCK WHO HAVE HELD IT SINCE**
4 **OCTOBER 23, 2025.**

5 **PLEASE READ THIS SUMMARY NOTICE CAREFULLY AND IN ITS**
6 **ENTIRETY AS YOUR RIGHTS MAY BE AFFECTED BY PROCEEDINGS**
7 **IN THE LITIGATION.**

8 **YOU ARE HEREBY NOTIFIED** that the above-captioned stockholder derivative action
9 (the “Action”), is being settled on the terms set forth in a Stipulation and Agreement of
10 Settlement dated October 23, 2025 (the “Stipulation”).

11 The Action alleges claims, *inter alia*, that beginning on May 16, 2022 the Individual
12 Defendants¹ violated the federal securities laws and breached their fiduciary duties by
13 issuing and/or causing the issuance of material misrepresentations that caused the
14 Company to restate certain of its previously-issued financial statements. Defendants have
15 denied and continue to deny each and all of the claims and allegations of wrongdoing
16 asserted in the Action.

17 Pursuant to the terms of the Settlement, Luna agrees to implement and maintain
18 certain corporate governance reforms that are outlined in Exhibit A to the Stipulation (the
19 “Reforms”). The Reforms shall be maintained for four (4) years. Luna acknowledges that
20 the filing, prosecution, and resolution of the Action comprised the cause of the Company’s
21 decision to adopt, implement, and maintain the Reforms, and that the Reforms confer
22 substantial benefits upon Luna and its current stockholders.

23 In light of the substantial benefits conferred upon the Company and its stockholders,
24 Defendants’ insurers agreed to pay Plaintiffs’ Counsel five hundred thousand dollars
25 (\$500,000.00) in attorneys’ fees and expenses (“Fee and Expense Amount”). Defendants
26 also agreed not to object to the approval of Service Awards of up to two thousand five
27 hundred dollars (\$2,500.00) for each of the two Plaintiffs, to be paid from the Fee and
28 Expense Amount.

On [REDACTED], 2025 at [REDACTED] : [REDACTED].m., a hearing (the “Settlement Hearing”) will be
held before the Honorable Consuelo B. Marshall at the United States District Court for the
Central District of California, First Street Courthouse, 350 W. 1st Street, Los Angeles,
California 90012, for the purpose of determining whether the Settlement should be

¹ All defined terms have the definitions as in the Stipulation unless otherwise noted.

1 approved as fair, reasonable, and adequate and whether the Court should approve the
2 agreed-to Fee and Expense Amount and the Service Awards for Plaintiffs. ***Because this is***
3 ***not a class action, except as otherwise provided for in the Stipulation with respect to the***
4 ***Plaintiff Service Awards, no Current Luna Stockholder has the right to receive any***
5 ***individual compensation as a result of the Settlement.***

6 This Summary Notice provides a condensed overview of certain provisions of the
7 Stipulation and the full Notice of Pendency and Proposed Settlement of Stockholder
8 Derivative Action (the “Notice”). It is not a complete statement of the events in the Action
9 or the terms set forth in the Stipulation. This summary should be read in conjunction with,
10 and is qualified in its entirety by reference to, the provisions of the Stipulation. For
11 additional information about the claims asserted in the Action, and the terms of the
12 proposed Settlement, you may inspect the Stipulation and its exhibits and other papers at
13 the Clerk’s office in the Court at any time during regular business hours. In addition, copies
14 of the Stipulation and its exhibits and the Notice are available on the Investor Relations
15 page of the Company’s website, www. [REDACTED].

16 The Court may, in its discretion, decide to hold the Settlement Hearing
17 telephonically or by videoconference and/or to change the date and/or time of the
18 Settlement Hearing without further notice to you. If you intend to attend the Settlement
19 Hearing, please consult the Court’s calendar or the Investor Relations page of the
20 Company’s website, www. [REDACTED] for any change in the format, date, or time of the
21 Settlement Hearing.

22 Inquiries about the Action or the Settlement may be made to: Timothy Brown, The
23 Brown Law Firm, P.C., 767 Third Avenue, Suite 2501, New York, NY 10017, Telephone:
24 (516) 922-5427, Email: tbrown@thebrownlawfirm.net, or Timothy J. MacFall, Rigrodsky
25 Law, P.A., 825 East Gate Boulevard, Suite 300, Garden City, NY 11530, Telephone: (516)
26 683-3516, E-mail: tjm@rl-legal.com.

27 You may enter an appearance before the Court, at your own expense, individually
28 or through counsel of your choice. If you want to object at the Settlement Hearing, you
must be a Current Luna Stockholder and you must first comply with the procedures for
objecting that are set forth in the Notice. **Any objection to any aspect of the Settlement
must be filed with the Clerk of the Court and sent to Plaintiffs’ Counsel and
Defendants’ Counsel no later than [REDACTED], 2025 (21 days before the Settlement
Hearing)**, in accordance with the procedures set forth in the Stipulation and the Notice.
Any Current Luna Stockholder who fails to object in accordance with such procedures will
be bound by the Order and Final Judgment of the Court granting final approval to the
Settlement and the releases of claims therein, and shall be deemed to have waived the right

1 to object (including the right to appeal) and forever shall be barred, in this proceeding or
2 in any other proceeding, from raising such objection.

3 **CURRENT LUNA STOCKHOLDERS WHO HAVE HELD LUNA**
4 **COMMON STOCK SINCE OCTOBER 23, 2025, WHO HAVE NO OBJECTION**
5 **TO THE SETTLEMENT DO NOT NEED TO APPEAR AT THE SETTLEMENT**
6 **HEARING OR TAKE ANY OTHER ACTION.**

7 **PLEASE DO NOT CALL THE COURT OR DEFENDANTS WITH QUESTIONS**
8 **ABOUT THE SETTLEMENT.**

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**UNITED STATES DISTRICT COURT
CENTRAL DISTRICT OF CALIFORNIA**

IN RE LUNA INNOVATIONS
INCORPORATED DERIVATIVE
LITIGATION

Case No. 2:24-cv-08194-CBM-KS

EXHIBIT E

This Document Relates to:

ALL ACTIONS

[PROPOSED] ORDER AND FINAL JUDGMENT

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1 This matter came before the Court for hearing on _____, 2025, to consider
2 approval of the proposed settlement (“Settlement”) set forth in the Stipulation and
3 Agreement of Settlement dated October 23, 2025 (the “Stipulation”). The Court has
4 reviewed and considered all documents, evidence, objections (if any), and arguments
5 presented in support of or against the Settlement. Good cause appearing therefore, the
6 Court enters this Order and Final Judgment (the “Judgment”).

7 IT IS HEREBY ORDERED, ADJUDGED, AND DECREED that:

8 1. This Judgment incorporates by reference the definitions in the Stipulation, and
9 all capitalized terms used herein shall have the same meanings as set forth in the
10 Stipulation.

11 2. This Court has jurisdiction over the subject matter of the Action, including all
12 matters necessary to effectuate the Settlement, and over all Parties.

13 3. The Court finds that the notice of the Settlement was published and
14 disseminated in accordance with this Court’s Preliminary Approval Order. This Court
15 further finds that the form and content of the Notice and Summary Notice, as previously
16 preliminarily approved by the Court, and the means of dissemination of the notice of the
17 Settlement fully satisfied the requirements of Rule 23.1 of the Federal Rules of Civil
18 Procedure and the requirements of due process.

19 4. The Court hereby approves the Settlement set forth in the Stipulation and finds
20 that the Settlement is, in all respects, fair, reasonable, and adequate to each of the Parties,
21 and further finds that the Settlement is in the best interests of Luna and its stockholders.

22 5. The Action and all claims contained therein, as well as all of the Released
23 Claims against Released Persons, are dismissed with prejudice. The Parties are to bear their
24 own costs, except as otherwise provided below.

25 6. Upon the Effective Date, the Plaintiffs Releasing Parties shall be deemed to
26 have, and by operation of the Judgment shall have, fully, finally, and forever released,
27 relinquished, and discharged the Released Claims against the Released Persons. Plaintiffs
28

1 Releasing Parties shall be deemed to have, and by operation of the Judgment shall have,
2 covenanted not to sue any Released Persons with respect to any Released Claims, and shall
3 be permanently barred and enjoined from instituting, commencing or prosecuting the
4 Released Claims against the Released Persons except to enforce the releases and other
5 terms and conditions contained in the Settlement and/or this Judgment.

6 7. Upon the Effective Date, the Released Persons shall be deemed to have, and
7 by operation of the Judgment shall have, fully, finally, and forever released, relinquished
8 and discharged each and all of Defendants' Released Persons from Defendants' Released
9 Claims. The Released Persons shall be deemed to have, and by operation of the Judgment
10 shall have, covenanted not to sue Defendants' Released Persons with respect to any of
11 Defendants' Released Claims, and shall be permanently barred and enjoined from
12 instituting, commencing or prosecuting Defendants' Released Claims against Defendants'
13 Released Persons except to enforce the releases and other terms and conditions contained
14 in the Stipulation and/or this Judgment.

15 8. During the course of the litigation, all parties and their respective counsel at
16 all times complied with the requirements of Rule 11 of the Federal Rules of Civil
17 Procedure, and all other similar laws or statutes.

18 9. The Court hereby approves the sum of five hundred thousand dollars
19 (\$500,000.00) for the payment by Defendants' insurers of Plaintiffs' Counsel's attorneys'
20 fees and expenses in the Action (the "Fee and Expense Amount") and finds that the Fee
21 and Expense Amount is fair and reasonable. No other fees, costs, or expenses may be
22 awarded to Plaintiffs' Counsel in connection with the Settlement. The Fee and Expense
23 Amount shall be distributed in accordance with the terms of the Stipulation.

24 10. The Court hereby approves the service awards of two thousand five hundred
25 dollars (\$2,500.00) for each of the two Plaintiffs to be paid from Plaintiffs' Counsel's Fee
26 and Expense Amount in recognition of Plaintiffs' participation and effort in the prosecution
27 of the Action.
28

1 11. Nothing in this Stipulation, or any other settlement-related documents or
2 communications, constitutes an admission that any claim which was brought or could have
3 been brought in the Action has or lacks any merit whatsoever, or that Defendants have
4 committed or engaged in any violation of law or wrongdoing whatsoever.

5 12. The Stipulation, including the exhibits thereto, the Settlement, the existence
6 of any of the provisions contained in the Stipulation, the acts performed or negotiations,
7 discussions and drafts leading to the execution of the Stipulation or the Settlement, and any
8 proceedings pursuant to or in connection with the Stipulation or the approval of the
9 Settlement (including any arguments proffered or statements made in connection
10 therewith), shall not be deemed to prejudice in any way the respective positions of the
11 Parties with respect to the Action or any other action or proceeding, shall not be deemed a
12 presumption, a concession, or an admission by any of the Parties of any fault, liability, or
13 wrongdoing or lack thereof as to any facts, claims, or defenses that have been, might have
14 been, or might in the future be alleged or asserted in the Action or with respect to any of
15 the claims settled in the Action, or that the consideration to be given thereunder represents
16 the consideration that could be or would have been recovered after trial, and shall not be
17 interpreted, construed, deemed, invoked, offered, or received in evidence or otherwise used
18 by any person in the Action, or in any other action or proceeding, except for any litigation
19 or judicial proceeding arising out of or relating to the Stipulation or the Settlement, whether
20 civil, criminal, or administrative, for any purpose other than as provided expressly in the
21 Stipulation.

22 13. Any of the Defendants may file the Stipulation or the Judgment or any order
23 of the Court related thereto in any action that may be brought against him/her/them or it in
24 order to support a defense or counterclaim based on principles of res judicata, collateral
25 estoppel, release, good faith settlement, judgment bar, or reduction, or any other theory of
26 claim preclusion or issue preclusion or similar defense or counterclaim.

