

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

FORM 8-K

CURRENT REPORT

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

Date of Report (Date of earliest event reported): March 21, 2013

Luna Innovations Incorporated

(Exact name of registrant as specified in its charter)

Delaware
(State or other jurisdiction
of incorporation)

000-52008
(Commission
File Number)

54-1560050
(IRS Employer
Identification No.)

1 Riverside Circle, Suite 400
Roanoke, Virginia 24016
(Address of principal executive offices, including zip code)

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

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

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

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
- Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
- Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
- Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Item 1.01. Entry into a Definitive Material Agreement.**Fourth Loan Modification Agreement**

On March 21, 2013, Luna Innovations Incorporated (the “*Company*”), Luna Technologies, Inc. and Silicon Valley Bank (“*SVB*”) entered into the Fourth Loan Modification Agreement (the “*Fourth Loan Amendment*”), which amends the Loan and Security Agreement between the parties originally dated as of February 18, 2010 (as amended to date, the “*Loan Agreement*”).

The Fourth Loan Amendment replaces the previous financial covenants in the Loan Agreement with a single covenant that the Company maintain a minimum cash balance of \$5.0 million with SVB.

The foregoing summary of the Fourth Loan Amendment is not complete and is qualified in its entirety by reference to the Fourth Loan Amendment, which is filed as an exhibit to this Current Report on Form 8-K and incorporated herein by reference.

Fourth Amendment to Lease of Riverside Center

On March 21, 2013, the Company and Carilion Clinic Properties, LLC (“*Carilion*”) entered into the Fourth Amendment to Luna Innovations Lease of Riverside Center (the “*Fourth Lease Amendment*”), which amends the Lease of Riverside Center originally dated December 30, 2005 (as amended to date, the “*Lease Agreement*”). Under the Fourth Lease Amendment, the parties have agreed to extend the term of the lease through December 31, 2018. In addition, under the Fourth Lease Amendment and effective January 1, 2014, the parties have agreed to reduce the leased square footage by approximately half and lower the rental rates.

The foregoing summary is not complete and is qualified in its entirety by reference to the Fourth Lease Amendment, which is filed as an exhibit to this Current Report on Form 8-K and incorporated herein by reference.

Item 9.01. Financial Statement and Exhibits.

(d) Exhibits.

<u>Exhibit Number</u>	<u>Exhibit Description</u>
10.1	Fourth Loan Modification Agreement, dated March 21, 2013, by and between Luna Innovations Incorporated, Luna Technologies, Inc. and Silicon Valley Bank.
10.2	Fourth Amendment to Luna Innovations Lease of Riverside Center, dated March 21, 2013, by and between Carilion Clinic Properties, LLC and Luna Innovations Incorporated.

SIGNATURES

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

Luna Innovations Incorporated

By: /s/ Talfourd H. Kemper, Jr.

Talfourd H. Kemper, Jr.

Vice President and General Counsel

Date: March 27, 2013

EXHIBIT INDEX

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FOURTH LOAN MODIFICATION AGREEMENT

This Fourth Loan Modification Agreement (this "**Loan Modification Agreement**") is entered into as of March 21, 2013, by and between (i) **SILICON VALLEY BANK**, a California corporation with a loan production office located at 8020 Towers Crescent Drive, Suite 475, Vienna, Virginia 22182 ("**Bank**"), and (ii) **LUNA INNOVATIONS INCORPORATED**, a Delaware corporation and **LUNA TECHNOLOGIES, INC.**, a Delaware corporation, each with offices located at 1 Riverside Circle, Suite 400, Roanoke, Virginia 24016 (individually and collectively, jointly and severally, the "**Borrower**").

1. DESCRIPTION OF EXISTING INDEBTEDNESS AND OBLIGATIONS. Among other indebtedness and obligations which may be owing by Borrower to Bank, Borrower is indebted to Bank pursuant to a loan arrangement dated as of February 18, 2010, evidenced by, among other documents, a certain Loan and Security Agreement dated as of February 18, 2010, between Borrower and Bank, as amended by a certain First Loan Modification Agreement, dated as of March 7, 2011, as further amended by a certain Second Loan Modification Agreement, dated as of May 18, 2011, and as further amended by a certain Third Loan Modification Agreement, dated as of June 1, 2012 (as amended, the "**Loan Agreement**"). Capitalized terms used but not otherwise defined herein shall have the same meaning as in the Loan Agreement.

2. DESCRIPTION OF COLLATERAL. Repayment of the Obligations is secured by the Collateral as described in the Loan Agreement and in certain Intellectual Property Security Agreements executed by each Borrower in favor of Bank (collectively, the "**IP Agreements**", and together with any other collateral security granted to Bank, the "**Security Documents**").

Hereinafter, the Security Documents, together with all other documents evidencing or securing the Obligations shall be referred to as the "**Existing Loan Documents**".

3. DESCRIPTION OF CHANGE IN TERMS.

A. Modifications to Loan Agreement.

1 The Loan Agreement shall be amended by deleting the following text appearing as Section 6.6 thereof:

"6.6 Access to Collateral; Books and Records. After completion of the Initial Audit, at reasonable times, on one (1) Business Day's notice (provided no notice is required if an Event of Default has occurred and is continuing), Bank, or its agents, shall have the right, up to two times per year (or more frequently as Bank shall determine necessary, in its sole discretion), to inspect the Collateral and the right to audit and copy Borrower's Books. The foregoing inspections and audits (including, without limitation, the Initial Audit) shall be at Borrower's expense, and the charge therefor shall be \$850 per person per day (or such higher amount as shall represent Bank's then-current standard charge for the same), plus reasonable out-of-pocket expenses. In the event Borrower and Bank schedule an audit more than ten (10) days in advance, and Borrower cancels or seeks to reschedule the audit with less than ten (10) days written notice to Bank, then (without limiting any of Bank's rights or remedies), Borrower shall pay Bank a fee of \$1,000 plus any out-of-pocket expenses incurred by Bank to compensate Bank for the anticipated costs and expenses of the cancellation or rescheduling."

and inserting in lieu thereof the following:

6.6 Access to Collateral; Books and Records. After completion of the Initial Audit, at reasonable times, on one (1) Business Day's notice (provided no notice is

required if an Event of Default has occurred and is continuing), Bank, or its agents, shall have the right, up to one (1) time per year (or more frequently as Bank shall determine necessary, in its sole discretion), to inspect the Collateral and the right to audit and copy Borrower's Books. The foregoing inspections and audits (including, without limitation, the Initial Audit) shall be at Borrower's expense, and the charge therefor shall be \$850 per person per day (or such higher amount as shall represent Bank's then-current standard charge for the same), plus reasonable out-of-pocket expenses. In the event Borrower and Bank schedule an audit more than ten (10) days in advance, and Borrower cancels or seeks to reschedule the audit with less than ten (10) days written notice to Bank, then (without limiting any of Bank's rights or remedies), Borrower shall pay Bank a fee of \$1,000 plus any out-of-pocket expenses incurred by Bank to compensate Bank for the anticipated costs and expenses of the cancellation or rescheduling."

2 The Loan Agreement shall be amended by deleting the following text appearing as Section 6.9(a) thereof:

"(a) Liquidity. Borrower's (i) unrestricted cash at Bank plus (ii) the lesser of (x) thirty percent (30%) of net billed accounts receivable (including, without limitation, unbilled but contractually due accounts receivable) or (y) Three Million Dollars (\$3,000,000), of not less than Six Million Dollars (\$6,000,000)."

and inserting in lieu thereof the following:

"(a) Minimum Cash. Borrower's unrestricted cash at Bank of not less than Five Million Dollars (\$5,000,000)."

3 The Loan Agreement shall be amended by deleting the following text appearing as Section 6.9(b) thereof:

"(b) Adjusted EBITDA. Achieve, as of the end of each fiscal quarter, measured on a trailing three month basis, Adjusted EBITDA of at least One Hundred Thousand Dollars (\$100,000)."

and inserting in lieu thereof the following:

"(b) Reserved."

4 The loan Agreement shall be amended by inserting the following definitions in Section 13.1 thereof, each in its appropriate alphabetical order:

"**Fourth Loan Modification Effective Date**" is March 21, 2013."

5 The Compliance Certificate appearing as Exhibit B to the Loan Agreement is hereby replaced with the Compliance Certificate attached as Exhibit A hereto.

4. FEES. Borrower shall reimburse Bank for all legal fees and expenses incurred in connection with this amendment to the Existing Loan Documents.

5. RATIFICATION OF IP AGREEMENTS. Borrower hereby ratifies, confirms and reaffirms, all and singular, the terms and conditions of the IP Agreements, and acknowledges, confirms and agrees that said IP Agreements, as modified by certain disclosures made by Borrower to Bank through and including the date hereof, contain an accurate and complete listing of all Intellectual Property Collateral as defined in each respective IP Agreement, and each remains in full force and effect. Notwithstanding the terms and conditions of any of the IP Agreements, Borrower shall not register any Copyrights or Mask Works in the United States Copyright Office

unless it: (i) has given at least fifteen (15) days' prior written notice to Bank of its intent to register such Copyrights or Mask Works and has provided Bank with a copy of the application it intends to file with the United States Copyright Office (excluding exhibits thereto); (ii) executes a security agreement or such other documents as Bank may reasonably request in order to maintain the perfection and priority of Bank's security interest in the Copyrights proposed to be registered with the United States Copyright Office; and (iii) records such security documents with the United States Copyright Office contemporaneously with filing the Copyright application(s) with the United States Copyright Office. Borrower shall promptly provide to Bank a copy of the Copyright application(s) filed with the United States Copyright Office, together with evidence of the recording of the security documents necessary for Bank to maintain the perfection and priority of its security interest in such Copyrights or Mask Works. Borrower shall provide written notice to Bank of any application filed by Borrower in the United States Patent Trademark Office for a patent or to register a trademark or service mark within thirty (30) days of any such filing.

6. RATIFICATION OF PERFECTION CERTIFICATE Borrower hereby ratifies, confirms and reaffirms, all and singular, the terms and disclosures contained in certain Perfection Certificates, each dated as of February 18, 2010, each as modified by written disclosures made by Borrower to Bank through and including the date hereof, and acknowledges, confirms and agrees the disclosures and information above Borrower provided to Bank in each such Perfection Certificate, as modified through the date hereof, remains true and correct in all material respects as of the date hereof.

7. AUTHORIZATION TO FILE Borrower hereby authorizes Bank to file UCC financing statements without notice to Borrower, with all appropriate jurisdictions, as Bank deems appropriate, in order to further perfect or protect Bank's interest in the Collateral, including a notice that any disposition of the Collateral, by either the Borrower or any other Person, shall be deemed to violate the rights of the Bank under the Code.

8. CONSISTENT CHANGES. The Existing Loan Documents are hereby amended wherever necessary to reflect the changes described above.

9. RATIFICATION OF LOAN DOCUMENTS. Borrower hereby ratifies, confirms, and reaffirms all terms and conditions of the Loan Agreement (as modified by this Loan Modification Agreement), and all security or other collateral granted to the Bank, and confirms that the indebtedness secured thereby includes, without limitation, the Obligations.

10. NO DEFENSES OF BORROWER. Borrower hereby acknowledges and agrees that Borrower has no offsets, defenses, claims, or counterclaims against Bank with respect to the Obligations, or otherwise, and that if Borrower now has, or ever did have, any offsets, defenses, claims, or counterclaims against Bank, whether known or unknown, at law or in equity, all of them are hereby expressly WAIVED and Borrower hereby RELEASES Bank from any liability thereunder.

11. CONTINUING VALIDITY. Borrower understands and agrees that in modifying the existing Obligations, Bank is relying upon Borrower's representations, warranties, and agreements, as set forth in the Existing Loan Documents. Except as expressly modified pursuant to this Loan Modification Agreement, the terms of the Existing Loan Documents remain unchanged and in full force and effect. Bank's agreement to modifications to the existing Obligations pursuant to this Loan Modification Agreement in no way shall obligate Bank to make any future modifications to the Obligations. Nothing in this Loan Modification Agreement shall constitute a satisfaction of the Obligations. It is the intention of Bank and Borrower to retain as liable parties all makers of Existing Loan Documents, unless the party is expressly released by Bank in writing. No maker will be released by virtue of this Loan Modification Agreement.

12. JURISDICTION/VENUE. Section 11 of the Loan Agreement is hereby incorporated by reference in its entirety.

13. COUNTERSIGNATURE. This Loan Modification Agreement shall become effective only when it shall have been executed by Borrower and Bank.

IN WITNESS WHEREOF, the parties hereto have caused this Loan Modification Agreement to be executed as a sealed instrument under the laws of the Commonwealth of Massachusetts as of the date first above written.

BORROWER:

LUNA INNOVATIONS INCORPORATED

By /s/ Dale E. Messick
Name: Dale E. Messick
Title: Chief Financial Officer

LUNA TECHNOLOGIES, INC.

By /s/ Scott A. Graeff
Name: Scott A. Graeff
Title: President

BANK:

SILICON VALLEY BANK

By: /s/ Alicia Fuller
Name: Alicia Fuller
Title: Vice President

COMPLIANCE CERTIFICATE

TO: SILICON VALLEY BANK
 FROM: LUNA INNOVATIONS INCORPORATED
 LUNA TECHNOLOGIES, INC.

Date:

The undersigned authorized officer of Luna Innovations Incorporated, a Delaware corporation, and Luna Technologies, Inc., a Delaware corporation (individually and collectively, jointly and severally, the “**Borrower**”) certifies that under the terms and conditions of the Loan and Security Agreement between Borrower and Bank (the “**Agreement**”), (1) Borrower is in complete compliance for the period ending _____ with all required covenants except as noted below, (2) there are no Events of Default, (3) all representations and warranties in the Agreement are true and correct in all material respects on this date except as noted below; provided, however, that such materiality qualifier shall not be applicable to any representations and warranties that already are qualified or modified by materiality in the text thereof; and provided, further that those representations and warranties expressly referring to a specific date shall be true, accurate and complete in all material respects as of such date, (4) Borrower, and each of its Subsidiaries, has timely filed all required tax returns and reports, and Borrower has timely paid all foreign, federal, state and local taxes, assessments, deposits and contributions owed by Borrower except as otherwise permitted pursuant to the terms of Section 5.9 of the Agreement, and (5) no Liens have been levied or claims made against Borrower or any of its Subsidiaries, if any, relating to unpaid employee payroll or benefits of which Borrower has not previously provided written notification to Bank. Attached are the required documents supporting the certification. The undersigned certifies that these are prepared in accordance with GAAP consistently applied from one period to the next except as explained in an accompanying letter or footnotes. The undersigned acknowledges that no borrowings may be requested at any time or date of determination that Borrower is not in compliance with any of the terms of the Agreement, and that compliance is determined not just at the date this certificate is delivered. Capitalized terms used but not otherwise defined herein shall have the meanings given them in the Agreement.

Please indicate compliance status by circling Yes/No under “Complies” column.

<u>Reporting Covenant</u>	<u>Required</u>	<u>Complies</u>
Monthly financial statements with Compliance Certificate	Monthly within 30 days	Yes No
Annual financial statement (CPA Audited) + CC	FYE within 120 days	Yes No
10-Q, 10-K and 8-K	Within 5 days after filing with SEC	Yes No
A/R & A/P Agings, Deferred Revenue/billings in excess of cost	Monthly within 15 days	Yes No
report/project identifiers for Assignments of Claim tracking purposes		
Transaction Reports	Bi-weekly (monthly with 30 days during a Streamline Period) and with each request for an advance	Yes No
Projections	FYE within 30 days, and as amended	Yes No

The following Intellectual Property was registered after the Effective Date (if no registrations, state “None”)

<u>Financial Covenant</u>	<u>Required</u>	<u>Actual</u>	<u>Complies</u>
Maintain as indicated:			
Minimum Cash	\$5,000,000	\$	Yes No

The following financial covenant analyses and information set forth in Schedule 1 attached hereto are true and accurate as of the date of this Certificate.

The following are the exceptions with respect to the certification above: (If no exceptions exist, state "No exceptions to note.")

LUNA INNOVATIONS INCORPORATED
LUNA TECHNOLOGIES, INC.

By: _____
Name: _____
Title: _____

BANK USE ONLY

Received by: _____ AUTHORIZED SIGNER

Date: _____

Verified: _____ AUTHORIZED SIGNER

Date: _____

Compliance Status: Yes No

Schedule 1 to Compliance Certificate

Financial Covenants of Borrower

Dated:

I. **Minimum Cash** (Section 6.9(a))

Required: Borrower shall maintain at all times unrestricted cash at Bank of not less than Five Million Dollars (\$5,000,000).

Actual:

A. Aggregate value of Borrower's unrestricted cash at Bank \$

Is line A equal to or greater than \$5,000,000?

No, not in compliance

Yes, in compliance

1534466.3

**FOURTH AMENDMENT TO LUNA INNOVATIONS
LEASE OF RIVERSIDE CENTER**

This is the Fourth Amendment is entered into as of the 21 day of March, 2013, by and between CARILION CLINIC PROPERTIES, LLC, a Virginia limited liability company (the "Landlord") and LUNA INNOVATIONS INCORPORATED, a Delaware corporation (the "Tenant").

WHEREAS, Carilion Medical Center, as landlord, and Tenant entered into that certain Lease dated the December 30, 2005 ("Original Lease"), as amended by that certain Amended Lease Riverside Center dated July 20, 2006 with an effective date of September 1, 2006 (the "First Amendment"), that certain Second Amendment to Luna Innovations Lease of Riverside Center dated on or about October 5, 2007 (the "Second Amendment") and that certain Third Amendment to Lease Riverside Center dated April 1, 2010 (the "Third Amendment").

WHEREAS, the Original Lease, the First Amendment, the Second Amendment and the Third Amendment are collectively referred to herein as the "Lease".

WHEREAS, Carilion Medical Center assigned its rights under the Lease to Landlord pursuant to that certain assignment dated September 24, 2010.

WHEREAS, Landlord and Tenant desire to amend the Lease as provided hereinbelow.

WHEREAS, all capitalized terms not otherwise defined shall have the meanings provided in the Lease.

NOW, THEREFORE, for and in consideration of the mutual covenants contained herein and those terms and conditions set out in the Lease, the parties hereby agree as follows:

1. **Premises**. Beginning January 1, 2014, the Premises leased by Landlord to Tenant, and by Tenant from Landlord, on the 4th floor of the Building #1 – Riverside Center, Roanoke, Virginia, 24014, shall be reduced to only include that certain space identified in purple on Exhibit A attached hereto and incorporated herein, together with the right to use the common areas designated in green on Exhibit A with the tenants occupying the remaining space on the 4th floor.
- 1A. **Tenant's Option and Right of First Refusal**. Section 1A. contained in the Second Amendment regarding Tenant's right of first refusal to lease space on the second floor of the Building is hereby deleted and Tenant acknowledges and agrees that it shall not have the right of first refusal to lease any additional space in the Building.
2. **Term and Renewal**. The term of the Lease is extended and shall expire on December 31, 2018.
- 3A. **Rent Adjustment**. Section 3A. stipulating that the rent per square foot paid by Tenant shall never exceed that paid by any other tenant in the Building is hereby deleted. Tenant acknowledges and agrees that Landlord is permitted to lease additional space in the building at whatever rate Landlord elects and Tenant shall have no right to request a modification of the amount of rent it is paying based on the terms of any other lease.

5. **Rent.** Tenant shall continue to pay rent as set forth under the Lease through December 31, 2013. Beginning January 1, 2014, the rent schedule shall be adjusted as:

<u>Period</u>	<u>Annual Rent</u>	<u>Monthly Rent</u>
1/1/14-12/31/14	\$ 288,000.00	\$ 24,000.00
1/1/15-12/31/18	\$ 293,760.00	\$ 24,480.00
1/1/16-12/31/16	\$299,635.20	\$24,969.60
1/1/17-12/31/17	\$ 305,627.90	\$ 24,468.99
1/1/18-12/31/18	\$ 311,740.46	\$ 25,978.37

Except as modified herein, all other terms and provisions of the Lease remain unchanged and are hereby ratified and affirmed.

WITNESS the following signatures and seals as of the date set forth hereinabove.

Date: March 21, 2013

LANDLORD:

CARILION CLINIC PROPERTIES, LLC

By: /s/ Curtis E. Mills, Jr.

Title: Curtis E. Mills, Jr.
Senior Vice President

Date: March 21, 2013

TENANT:

LUNA INNOVATIONS INCORPORATED

By: /s/ Scott A. Graeff

Title: Scott A. Graeff
Chief Strategy Officer

Exhibit A

