
**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): May 8, 2015

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))
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Item 1.01 Entry into a Material Definitive Agreement

Sixth Loan Modification Agreement with Silicon Valley Bank

On May 8, 2015, Luna Innovations Incorporated (“Luna”), Luna’s wholly owned domestic subsidiaries Luna Technologies, Inc., Advanced Photonix, Inc. (“API”), and Picometrix, LLC and Silicon Valley Bank (the “Lender”) entered into a Joinder, Consent and Sixth Loan Modification Agreement (the “Sixth Loan Modification Agreement”) to that certain Loan and Security Agreement dated as of February 18, 2010 (as amended, the “Loan Agreement”).

Under the Sixth Loan Modification Agreement, the Lender consented to Luna’s acquisition of Advanced Photonix, Inc. and Picometrix, LLC, on the condition that Luna’s newly acquired wholly owned domestic subsidiaries Advanced Photonix, Inc. and Picometrix, LLC were joined as co-borrowers. The Lender also agreed to make an additional term loan to Luna in the amount of \$6.0 million (the “Term Loan”). The Term Loan is to be repaid by Luna in 48 monthly installments, plus accrued interest payable monthly in arrears, and, unless earlier terminated, matures on the earlier of (i) May 8, 2019 or (ii) an event of default under the Loan Agreement. The Term Loan carries a floating annual interest rate equal to the Lender’s prime rate then in effect plus 2%.

Luna may prepay amounts due under the Term Loan for a fee equal to (i) \$120,000, if such prepayment is made on or before May 8, 2017 or (ii) \$60,000, if such prepayment is made after May 8, 2017 but before May 8, 2019.

Amounts due under the Loan Agreement will continue to be secured by substantially all of Luna’s assets, including intellectual property, personal property and bank accounts.

The Loan Agreement continues to require Luna to observe a number of financial and operational covenants, including maintenance of a specified level of liquidity (defined as unrestricted cash and a portion of accounts receivable), maintenance of a specified minimum cash level, protection and registration of intellectual property rights and customary negative covenants.

The Loan Agreement continues to contain customary events of default, including nonpayment of principal, interest or other amounts, violation of covenants, material adverse changes, an event of default under any subordinated debt documents, incorrectness of representations and warranties in any material respect, bankruptcy, judgments in excess of a threshold amount, and violations of other agreements in excess of a specified threshold. If any event of default occurs, the Lender may declare due immediately all borrowings under the Loan Agreement and foreclose on the collateral. Furthermore, an event of default under the Loan Agreement would result in an increase in the annual interest rate on any amounts outstanding to five percent, or 500 basis points, above the rates then in effect.

Except as modified by the Sixth Loan Modification Agreement, all terms and conditions of the Loan Agreement remain in full force and effect.

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

Item 2.01. Completion of the Acquisition or Disposition of Assets

On May 8, 2015, pursuant to the Agreement and Plan of Merger and Reorganization, dated as of January 30, 2015 (the “Merger Agreement”), by and among Luna, API and API Merger Sub, Inc. (“Merger Sub”), Merger Sub merged with and into API (the “Merger”) with API surviving the Merger as a wholly owned subsidiary of Luna.

As a result of the Merger, each share of the common stock of API, par value \$0.001 per share (the “API Common Stock”) that was outstanding immediately prior to the effective time of the Merger (the “Effective Time”) was converted into the right to receive 0.31782 shares of the common stock, par value \$0.001 per share, of Luna (the “Luna Common Stock”) (the exchange ratio of one share of API Common Stock for 0.31782 shares of Luna Common Stock, the “Exchange Ratio”). No fractional shares of Luna Common Stock were issued in the Merger, and holders of shares of API Common Stock will receive cash in lieu of any such fractional shares. In addition, unless otherwise provided by the terms of the warrant, each outstanding warrant to purchase API Common Stock or API’s preferred stock converted at the Effective Time into a warrant to purchase Luna Common Stock (based on the Exchange Ratio) and was assumed by Luna. Each outstanding option to purchase API Common Stock converted at the Effective Time into an option to purchase Luna Common Stock (based on the Exchange Ratio) and was

assumed by Luna and each share of API restricted common stock converted at the Effective Time into Luna restricted common stock (based on the Exchange Ratio).

The issuance of Luna Common Stock in connection with the Merger, as described above, was registered under the Securities Act of 1933, as amended, pursuant to Luna's registration statement on Form S-4, as amended (File No. 333-201956), which was declared effective by the Securities and Exchange Commission (the "SEC") on March 24, 2015, including the joint proxy statement/prospectus included therein (the "Joint Proxy Statement/Prospectus").

The foregoing description of the transactions consummated pursuant to the Merger Agreement does not purport to be complete and is qualified by its entirety by reference to the Merger Agreement, which was filed as Exhibit 2.1 to Luna's Current Report on Form 8-K filed with the SEC on February 2, 2015, which is incorporated herein by reference.

Item 2.03. Creation of a Direct Financial Obligation under an Off-Balance Sheet Arrangement of a Registrant

The information set forth under Item 1.01, "Entry into a Material Definitive Agreement," is incorporated herein by reference.

Item 5.02. Departure of Directors or Certain Officers; Election of Directors; Appointment of Certain Officers; Compensatory Arrangements of Certain Officers

Pursuant to the terms of the Merger Agreement, effective as of the Effective Time, Neil D. Wilkin, Jr. and Warner Dalhouse resigned from the board of directors of Luna (the "Board of Directors") and all committees thereof. In addition, pursuant to the Merger Agreement, effective as of the Effective Time, Donald Pastor, Gary Spiegel and Ed J. Coringrato Jr. were appointed to the Board of Directors to serve until the 2018, 2017 and 2016 annual meetings of Luna stockholders, respectively, and until their successors have been duly elected and qualified.

In addition, effective as of Effective Time, Mr. Coringrato joined the Audit Committee, Mr. Pastor joined the Nominating and Governance Committee, and Mr. Dalhouse resigned from the Compensation Committee and Messrs. Pastor and Spiegel joined the Compensation Committee, with Mr. Pastor assuming the role of chairman of the Compensation Committee.

Item 5.07. Submission of Matters to a Vote of Security Holders

At Luna's 2015 Annual Meeting of Stockholders held on May 8, 2015, Luna's stockholders approved five proposals, as proposed in the Joint Proxy Statement/Prospectus, as follows: (i) the issuance of shares of Luna Common Stock in connection with the Merger contemplated by the Merger Agreement ("Proposal 1"); (ii) the adjournment of the 2015 Annual Meeting of Stockholders from time to time, if necessary or appropriate (as determined by Luna), to solicit additional proxies if there are not sufficient votes to approve Proposal 1 ("Proposal 2"); (iii) the election of My E. Chung and Neil D. Wilkin, Jr. (the "Alternate Directors") as Class III members of the Board of Directors, to serve until Luna's 2018 Annual Meeting of Stockholders and until their successors are duly elected and qualified (the "Alternative Directors Proposal"); provided, however, that, if the Merger were to be completed, the Board of Directors would be reconstituted as described in the Joint Proxy Statement/Prospectus at the Effective Time ("Proposal 3"); (iv) the approval, on a non-binding, advisory basis, of the compensation of Luna's named executive officers ("Proposal 4"); and (v) the ratification of the selection of Grant Thornton LLP as Luna's independent registered public accounting firm for the fiscal year ending December 31, 2015 ("Proposal 5").

Proposal 1. Approval of the Issuance of Shares of Luna Common Stock in the Merger

The vote with respect to the approval of the issuance of shares of Luna Common Stock in connection with the Merger contemplated by the Merger Agreement was as follows:

FOR	AGAINST	ABSTAIN	BROKER NON-VOTES
8,686,470	24,099	3,300	4,541,842

Proposal 2. Adjournment of the 2015 Annual Meeting if Necessary or Appropriate to Solicit Additional Proxies

The vote with respect to the approval of the adjournment of the 2015 Annual Meeting of Stockholders from time to time, if necessary or appropriate (as determined by Luna), to solicit additional proxies if there are not sufficient votes to approve Proposal 1 was as follows:

<u>FOR</u>	<u>AGAINST</u>	<u>ABSTAIN</u>	<u>BROKER NON-VOTES</u>
12,910,206	160,080	185,425	—

Notwithstanding this approval, because there were sufficient votes to approve Proposal 1, the 2015 Annual Meeting of Stockholders was not adjourned pursuant to the outcome of the vote on Proposal 2.

Proposal 3. Election of Directors

The vote with respect to the election of directors was as follows:

	<u>FOR</u>	<u>WITHELD</u>
My E. Chung	8,669,306	44,453
Neil D. Wilkin, Jr.	8,443,434	270,435

Notwithstanding these approvals, the Alternate Directors were not elected to the Board of Directors by the Alternative Directors Proposal because the Board of Directors was reconstituted as described in the Joint Proxy Statement/Prospectus at the Effective Time.

Proposal 4. Advisory Vote on Executive Compensation

The advisory vote on the compensation of Luna's named executive officers was as follows:

<u>FOR</u>	<u>AGAINST</u>	<u>ABSTAIN</u>	<u>BROKER NON-VOTES</u>
8,424,130	220,037	69,702	4,541,842

Proposal 5. Ratification of Selection of Independent Registered Public Accounting Firm

The vote with respect to the ratification of the selection of Grant Thornton LLP as Luna's independent registered public accounting firm for the year ending December 31, 2015 was as follows:

<u>FOR</u>	<u>AGAINST</u>	<u>ABSTAIN</u>	<u>BROKER NON-VOTES</u>
13,165,942	39,451	50,318	—

Item 7.01. Regulation FD Disclosure

On May 8, 2015, Luna and API issued a press release announcing the closing of the Merger. A copy of this press release is furnished herewith as Exhibit 99.1 to this report.

In accordance with general instruction B.2 of Form 8-K, the information in this Item 7.01, including the press release furnished as an exhibit hereto, shall not be deemed to be "filed" for purposes of Section 18 of the Securities Exchange Act of 1934, as amended, or otherwise subject to the liabilities of that section, nor shall it be deemed incorporated by reference in any filing under the Securities Act of 1933 or Securities Exchange Act of 1934.

Item 9.01. Financial Statements and Exhibits

(a) Financial Statements of Business Acquired.

The required financial statements of API called for by Item 9.01(a) were included in the Joint Proxy Statement/Prospectus and are incorporated herein by reference.

(b) Pro Forma Financial Information.

The required pro forma financial information called for by Item 9.01(b) was included in the Joint Proxy Statement Prospectus and is incorporated herein by reference.

(d) Exhibits.

Exhibit Number	Exhibit Description
2.1*	Agreement and Plan of Merger and Reorganization, dated as of January 30, 2015, by and among Luna Innovations Incorporated, a Delaware corporation, API Merger Sub, a Delaware corporation and a wholly owned subsidiary of Luna Innovations Incorporated, and Advanced Photonix, Inc., a Delaware corporation (incorporated herein by reference to Annex A to the Joint Proxy Statement/Prospectus contained in Amendment No. 3 to Luna's Registration Statement on Form S-4 filed with the SEC on March 24, 2015 (File No. 333-201956)).
10.1	Joinder, Consent and Sixth Loan Modification Agreement between Luna Innovations Incorporated, Luna Technologies, Inc., Advanced Photonix, Inc. and Picometrix, LLC and Silicon Valley Bank, dated as of May 8, 2015.
23.1	Consent of BDO USA, LLP.
99.1	Press Release issued by Luna Innovations Incorporated and Advanced Photonix, Inc., dated May 8, 2015.

*Pursuant to Item 601(b)(2) of Regulation S-K promulgated by the SEC, certain exhibits and schedules to this agreement have been omitted. Luna hereby agrees to furnish supplementally to the SEC, upon its request, any or all of such omitted exhibits or schedules.

EXHIBIT INDEX

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JOINDER, CONSENT AND SIXTH LOAN MODIFICATION AGREEMENT

This Joinder, Consent and Sixth Loan Modification Agreement (this “**Loan Modification Agreement**”) is entered into as of May 8, 2015, 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**”), (ii) **LUNA INNOVATIONS INCORPORATED**, a Delaware corporation (“**Innovations**”) and **LUNA TECHNOLOGIES, INC.**, a Delaware corporation (“**Technologies**”), each with offices located at 1 Riverside Circle, Suite 400, Roanoke, Virginia 24016 (Innovations and Technologies are referred to herein, individually and collectively, jointly and severally, as “**Borrower**”), and (iii) **ADVANCED PHOTONIX, INC.**, a Delaware corporation (“**API**”), and **PICOMETRIX, LLC**, a Delaware limited liability company (“**Picometrix**”; API and Picometrix are referred to herein, individually and collectively, jointly and severally, as “**New 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, as further amended by a certain Third Loan Modification Agreement, dated as of June 1, 2012, as further amended by a certain Fourth Loan Modification Agreement, dated as of March 1, 2013, and as further amended by a certain Consent, Release and Fifth Loan Modification Agreement, dated as of January 21, 2014 (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. **JOINDER AND ASSUMPTION.** Following the consummation of the Merger (as defined below), API will be a wholly-owned Subsidiary of Innovations. Picometrix is a wholly-owned Subsidiaries of API. Each New Borrower hereby joins the Loan Agreement and each of the other appropriate Loan Documents, and agrees to comply with and be bound by all of the terms, conditions and covenants of the Loan Agreement and each of the other appropriate Loan Documents, as if such New Borrower were originally named a “Borrower” and/or a “Debtor” therein. Without limiting the generality of the preceding sentence, each New Borrower hereby assumes and agrees to pay and perform when due all present and future indebtedness, liabilities and obligations of Borrower under the Loan Agreement, including, without limitation, the Obligations. From and after the date hereof, all references in the Loan Documents to “Borrower” and/or “Debtor” shall be deemed to refer to and include such New Borrower. Further, all present and future Obligations of Borrower shall be deemed to refer to all present and future Obligations of each New Borrower. Each New Borrower acknowledges that the Obligations are due and owing to Bank from Borrower including, without limitation, such New Borrower, without any defense, offset or counterclaim of any kind or nature whatsoever as of the date hereof.

4. **GRANT OF SECURITY INTEREST.** To secure the payment and performance of all of the Obligations, each New Borrower hereby grants to Bank a continuing lien upon and security interest in all of such New Borrower’s now existing or hereafter arising rights and interest in the Collateral, whether now owned or existing or hereafter created, acquired, or arising, and wherever located, including, without limitation, all of such New Borrower’s assets listed on Exhibit A attached hereto and all of such New Borrower’s books and records relating to the foregoing and any and all claims, rights and interests in any of the above and all substitutions for, additions, attachments, accessories, accessions and improvements to and replacements, products, proceeds and insurance proceeds of any or all of the foregoing. Each

New Borrower represents, warrants, and covenants that the security interest granted herein is and shall at all times continue to be a first priority perfected security interest in the Collateral (subject only to Permitted Liens that may have superior priority to Bank's Lien under the Loan Agreement). If any New Borrower shall acquire a material commercial tort claim, such New Borrower shall promptly notify Bank in a writing signed by such New Borrower of the general details thereof and grant to Bank in such writing a security interest therein and in the proceeds thereof, all upon the terms of this Agreement, with such writing to be in form and substance reasonably satisfactory to Bank. Each New Borrower further covenants and agrees that by its execution hereof it shall provide all such information, complete all such forms, and take all such actions, and enter into all such agreements, in form and substance reasonably satisfactory to Bank that are reasonably deemed necessary by Bank in order to grant and continue a valid, first perfected security interest to Bank in the Collateral (subject only to Permitted Liens that may have superior priority to Bank's Lien under the Loan Agreement). Each New Borrower hereby authorizes Bank to file financing statements, without notice to any Borrower, with all appropriate jurisdictions in order to perfect or protect Bank's interest or rights hereunder, including a notice that any disposition of the Collateral, by either any Borrower or any other Person, may be deemed to violate the rights of Bank under the Code. Such financing statements may indicate the Collateral as "all assets of the Debtor" or words of similar effect, or as being of an equal or lesser scope, or with greater detail, all in Bank's discretion.

5. SUBROGATION AND SIMILAR RIGHTS. Borrower (in each case including, without limitation, each New Borrower) waives any suretyship defenses available to it under the Code or any other applicable law. Borrower (in each case, including, without limitation, each New Borrower) waives any right to require Bank to: (i) proceed against any other Borrower or any other Person; (ii) proceed against or exhaust any security; or (iii) pursue any other remedy. Bank may exercise or not exercise any right or remedy it has against any Borrower or any security it holds (including the right to foreclose by judicial or non-judicial sale) without affecting any Borrower's liability. Notwithstanding any other provision of this Amendment, the Loan Agreement, or any other Loan Documents, Borrower irrevocably subordinates to the prior payment in full of the Obligations and the termination of Bank's commitment to make Credit Extensions to Borrower and agrees not to assert or enforce prior to the payment in full of the Obligations and the termination of the Bank's commitment to make Credit Extensions to Borrower, all rights that it may have at law or in equity (including, without limitation, any law subrogating such Borrower to the rights of Bank under the Loan Agreement), to seek contribution, indemnification or any other form of reimbursement from any other Borrower or any other Person now or hereafter primarily or secondarily liable for any of the Obligations, for any payment made by a Borrower with respect to the Obligations in connection with the Loan Agreement or otherwise and all rights that it might have to benefit from, or to participate in, any security for the Obligations as a result of any payment made by any Borrower with respect to the Obligations in connection with the Loan Agreement or otherwise. If any payment is made to any Borrower in contravention of this section, such Borrower shall hold such payment in trust for Bank and such payment shall be promptly delivered to Bank for application to the Obligations, whether matured or unmatured. Any Borrower may, acting singly, request Credit Extensions under the Loan Agreement. Each Borrower hereby appoints the other as agent for the other for all purposes under the Loan Agreement, including with respect to requesting Credit Extensions thereunder. Each Borrower shall be jointly and severally obligated to repay all Credit Extensions made under the Loan Agreement or any other Loan Documents, regardless of which Borrower actually received said Credit Extension, as if each Borrower directly received all Credit Extensions.

6. CONSENT TO MERGER. Borrower has notified Bank that Innovations, API, and API Merger Sub, Inc., a Delaware corporation and wholly-owned Subsidiary of Innovations ("**Merger Sub**"), have entered into a certain Agreement and Plan of Merger and Reorganization dated as of January 30, 2015 (the "**Merger Agreement**") pursuant to which Merger Sub will merge with and into API, with API continuing as the surviving corporation (the "**Merger**"). Upon the consummation of the Merger, API will become a wholly-owned Subsidiary of Innovations. Notwithstanding the terms of Section 7.3 (*Mergers or Acquisitions*), Section 7.4 (*Indebtedness*), Section 7.7 (*Distributions; Investments*), Section 7.8 (*Transactions with Affiliates*) or any other provisions of the Loan Agreement to the contrary, Bank hereby consents to Borrower and API consummating the Merger pursuant to the terms of the Merger Agreement; provided, however, that no Default or Event of Default exists prior to the consummation of the Merger, and no Default or Event of Default shall exist immediately after the consummation of the Merger (after giving effect to the consent provided in this Loan Modification Agreement). The foregoing consent applies only to the Merger, and is not a consent to or waiver of any subsequent application of the same provisions of the Loan Agreement, nor is it a waiver of any breach

of any other provision of the Loan Agreement. This consent does not establish a course of dealing upon which Borrower may rely on in the future.

7. DESCRIPTION OF CHANGE IN TERMS.

A. Modifications to Loan Agreement.

1 In connection with this Loan Modification Agreement, the Revolving Line is being repaid in full and terminated. All references in the Loan Agreement to the Revolving Line, Advances, the Unused Revolving Line Facility Fee, Availability Amount, Borrowing Base, Eligible Accounts, Eligible Foreign Accounts, Overadvance, Reserves, and any terms associated therewith are stricken in their entirety.

2 The Loan Agreement shall be amended by inserting the following new Section 2.1.6 immediately following Section 2.1.5 thereof:

“2.1.6 Term Loan 2015.

(a) Availability. Subject to the satisfaction of the terms and conditions of this Agreement, Bank shall make one (1) term loan available to Borrower on the Sixth Loan Modification Effective Date in an amount up to the Term Loan 2015 Amount.

(b) Repayment. Commencing on the first day of the month following the month in which the Funding Date of the Term Loan 2015 occurs, Borrower shall repay the Term Loan 2015 in (i) forty-eight (48) equal installment payments of principal, based on a forty-eight (48) month amortization schedule; plus (ii) monthly payments of accrued interest (each such payment being referred to herein as a “**Term Loan 2015 Payment**”). Each Term Loan 2015 Payment shall be payable on the first day of each month. Borrower’s final Term Loan 2015 Payment, due on the Term Loan 2015 Maturity Date, shall include all outstanding principal and accrued and unpaid interest under the Term Loan 2015. Once repaid, the Term Loan 2015 may not be reborrowed.

(c) Prepayment. Prior to the Term Loan 2015 Maturity Date, Borrower may prepay all or any portion of the Term Loan 2015, effective three (3) Business Days after written notice of such prepayment is given to Bank. Notwithstanding any such prepayment, Bank’s lien and security interest in the Collateral shall continue until Borrower fully satisfies its Obligations. If such prepayment is at Borrower’s election or at Bank’s election due to the occurrence and continuance of an Event of Default, Borrower shall pay to Bank, in addition to the payment of any other expenses or fees then-owing, an early termination fee in an amount equal to (i) if such prepayment is made on or before the second anniversary of the Sixth Loan Modification Effective Date (the “**Second Anniversary**”), an amount equal to two percent (2.00%) of the amount of the Term Loan 2015 so prepaid; and (ii) if such prepayment is made after the Second Anniversary, an amount equal to one percent (1.00%) of the amount of the Term Loan 2015 so prepaid; provided that no termination fee shall be charged if the credit facility hereunder is replaced with a new facility from another division of Silicon Valley Bank. Any prepayments on the Term Loan shall be in an amount equal to One Million Dollars (\$1,000,000) and Two Hundred Fifty Thousand Dollars (\$250,000) increments in excess thereof. Upon payment in full of the Obligations and at such time as Bank’s obligation to make Credit Extensions has terminated, Bank shall terminate and release its liens and security interests in the Collateral and all rights therein shall revert to Borrower.”

- 3 The Loan Agreement shall be amended by deleting the text appearing as Section 2.2 thereof, and inserting in lieu thereof the following:

“2.2 **Reserved.**”

- 4 The Loan Agreement shall be amended by deleting the following text appearing as Section 2.3(a) thereof:

“(a) Interest Rate:

(i) Advances. Subject to Section 2.3(b), the principal amount outstanding under the Revolving Line shall accrue interest at a floating per annum rate equal to the Prime Rate plus one percentage point (1.00%), which interest shall be payable monthly, in arrears, in accordance with Section 2.3(f) below.

(ii) Term Loan. Subject to Section 2.3(b), the principal amount outstanding under the Term Loan shall accrue interest at a floating per annum rate equal to the Prime Rate plus two percentage points (2.00%), which interest shall be payable monthly, in arrears, in accordance with Section 2.1.5(b).”

and inserting in lieu thereof the following:

“(a) Interest Rate; Term Loan 2015. Subject to Section 2.3(b), the principal amount outstanding under the Term Loan 2015 Line shall accrue interest at a floating per annum rate equal to the Prime Rate plus two percentage points (2.00%), which interest shall be payable monthly, in arrears, in accordance with Section 2.3(f) below.”

- 5 The Loan Agreement shall be amended by deleting the text appearing as Section 2.4(d) thereof, and inserting in lieu thereof the following:

“(d) Reserved;”

- 6 The Loan Agreement shall be amended by deleting the following text appearing as Sections 6.2(a)(i), (ii) and (vi) thereof:

“(i) (A) On the 15th day (or the immediately succeeding Business Day if the 15th day is not a Business Day) and on the last Business Day of each month, and (B) upon each request for a Credit Extension, a Transaction Report;

(ii) within fifteen (15) days, or the next succeeding Business Day if the 15th day is not a Business Day, after the end of each month, (A) monthly accounts receivable agings, aged by invoice date, (B) monthly accounts payable agings, aged by invoice date (including, without limitation, project identifiers for the purpose of tracking the status of assignments under the Federal Assignment of Claims Act of 1940, as amended), and outstanding or held check registers, if any, and (C) monthly reconciliations of accounts receivable agings (aged by invoice date), transaction reports, Deferred Revenue/billings in excess of cost report and general ledger;

(vi) as soon as available, and in any event within one hundred twenty (120) days following the end of Borrower’s fiscal year, annual consolidated financial statements certified by, and with an unqualified opinion of, independent certified public accountants acceptable to Bank; this requirement will be waived if such audited annual consolidated financial are delivered in connection with clause (b) below;”

and inserting in lieu thereof the following:

“(i) Reserved;

(ii) Reserved;

(vi) Reserved;”

7 The Loan Agreement shall be amended by deleting the following text appearing as Section 6.9 thereof:

“6.9 Financial Covenants.

Maintain at all times, to be certified as of the last day of each month, unless otherwise noted, on a consolidated basis with respect to Borrower and its Subsidiaries:

(a) Minimum Cash. Borrower’s unrestricted cash at Bank of not less than Three Million Five Hundred Thousand Dollars (\$3,500,000).

(b) Reserved.”

and inserting in lieu thereof the following:

“6.9 Financial Covenants.

(a) Minimum Cash. Borrower shall maintain at all times, to be certified as of the last day of each month, unrestricted cash at Bank of not less than Three Million Dollars (\$3,000,000).

(b) Liquidity Coverage Ratio. Borrower shall maintain at all times, to be certified as of the last day of each month, a Liquidity Coverage Ratio of greater than 1.75 to 1.00.”

8 The Loan Agreement shall be amended by deleting the following text appearing as Section 6.12 thereof:

“6.12 Creation/Acquisition of Subsidiaries. Notwithstanding and without limiting the negative covenants contained in Sections 7.3 hereof, in the event Borrower or any Subsidiary creates or acquires any Subsidiary, Borrower and such Subsidiary shall promptly notify Bank of the creation or acquisition of such new Subsidiary and, at Bank’s request, in its sole discretion, take all such action as may be reasonably required by Bank to cause each such Subsidiary to, in Bank’s sole discretion, become a co-Borrower or Guarantor under the Loan Documents and grant a continuing pledge and security interest in and to the assets of such Subsidiary (substantially as described on Exhibit A hereto); and Borrower shall grant and pledge to bank a perfected security interest in the stock, units or other evidence of ownership of each Subsidiary.”

and inserting in lieu thereof the following:

“6.12 Creation/Acquisition of Subsidiaries. Notwithstanding and without limiting the negative covenants contained in Sections 7.3 and 7.7 hereof, in the event Borrower or any Subsidiary creates or acquires any Subsidiary, Borrower and such Subsidiary shall promptly notify Bank of the creation or acquisition of such new Subsidiary and, at Bank’s request, in

its sole discretion, shall (a) with respect to Subsidiaries organized within the United States only, cause such new Subsidiary to provide to Bank a joinder to the Loan Documents to cause such Subsidiary to become a co-borrower hereunder, and grant a continuing pledge and security interest in and to the assets of such Subsidiary (substantially as described on Exhibit A hereto), (b) provide to Bank appropriate certificates and powers and financing statements, pledging all of the direct or beneficial ownership interest in such new Subsidiary, in form and substance satisfactory to Bank, provided, however, that Borrower shall not be required to pledge more than sixty-five percent (65%) of the direct or beneficial ownership interest of any Subsidiary organized outside the United States, and (c) provide to Bank all other documentation in form and substance reasonably satisfactory to Bank, which in its opinion is appropriate with respect to the execution and delivery of the applicable documentation referred to above. Any document, agreement, or instrument executed or issued pursuant to this Section 6.12 shall be a Loan Document.”

9 The Loan Agreement shall be amended by deleting the following text appearing as Section 8.1 thereof:

“**8.1 Payment Default.** Borrower fails to (a) make any payment of principal or interest on any Credit Extension on its due date, or (b) pay any other Obligations within three (3) Business Days after such Obligations are due and payable (which three (3) Business Day cure period shall not apply to payments due on the Revolving Line Maturity Date and/or the Term Loan Maturity Date, as applicable). During the cure period, the failure to make or pay any payment specified under clause (a) or (b) hereunder is not an Event of Default (but no Credit Extension will be made during the cure period);”

and inserting in lieu thereof the following:

“**8.1 Payment Default.** Borrower fails to (a) make any payment of principal or interest on any Credit Extension on its due date, or (b) pay any other Obligations within three (3) Business Days after such Obligations are due and payable (which three (3) Business Day cure period shall not apply to payments due on the Term Loan 2015 Maturity Date). During the cure period, the failure to make or pay any payment specified under clause (a) or (b) hereunder is not an Event of Default (but no Credit Extension will be made during the cure period);”

10 The Loan Agreement shall be amended by deleting the following text appearing as Section 12.1 thereof:

“**12.1 Termination Prior to Maturity Date.** This Agreement may be terminated prior to the Revolving Line Maturity Date by Borrower, effective three (3) Business Days after written notice of termination is given to Bank or if Bank’s obligation to fund Credit Extensions terminates pursuant to the terms of Section 2.1.1(b). Notwithstanding any such termination, Bank’s lien and security interest in the Collateral shall continue until Borrower fully satisfies its Obligations. If such termination is at Borrower’s election, Borrower shall pay to Bank, in addition to the payment of any other expenses or fees then-owing, a termination fee in an amount equal to Ten Thousand Dollars (\$10,000) (one percent (1.00%) of \$1,000,000), provided that no termination fee shall be charged if the credit facility hereunder is replaced with a new facility from another division of Silicon Valley Bank. Upon payment in full of the Obligations and at such time as Bank’s obligation to make Credit Extensions has terminated, Bank shall release its liens and security interests in the Collateral and all rights therein shall revert to Borrower.”

and inserting in lieu thereof the following:

“12.1 Termination Prior to Term Loan 2015 Maturity Date.” This Agreement may be terminated prior to the Term Loan 2015 Maturity Date by Borrower, effective three (3) Business Days after written notice of termination is given to Bank. Notwithstanding any such termination, Bank’s lien and security interest in the Collateral shall continue until Borrower fully satisfies its Obligations. In connection with such termination, Borrower shall pay to Bank, in addition to all other Obligations then owing, the prepayment premium set forth in Section 2.1.6(c).”

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

“API Canada” means Advanced Photonix Canada, Inc., a Canadian corporation and wholly-owned Subsidiary of API.

“Liquidity Coverage Ratio” means the ratio of (A) (i) unrestricted cash of Borrower at Bank plus (ii) fifty percent (50%) of Borrower’s net accounts receivable, divided by (B) all Obligations of Borrower to Bank, including, without limitation, all Indebtedness under letters of credit.

“Sixth Loan Modification Effective Date” is May 8, 2015.

“Term Loan 2015” is a loan made by Bank pursuant to the terms of Section 2.1.6.

“Term Loan 2015 Amount” is an aggregate amount equal to Six Million Dollars (\$6,000,000) outstanding at any time.

“Term Loan 2015 Maturity Date” is the earliest of (a) four (4) years after the Sixth Loan Modification Effective Date or (b) the occurrence of an Event of Default.

“Term Loan 2105 Payment” is defined in Section 2.1.6(b).

- 12 The Loan Agreement shall be amended by inserting the following new subsections (g) and (h) in the definition of Permitted Investments immediately following subsection (f) thereof:

“(g) Investments consisting of the creation of a Subsidiary for the purpose of consummating a merger transaction permitted by Section 7.3 of this Agreement, which is otherwise a Permitted Investment; and

(h) Investments by Borrower in API Canada in an amount not to exceed Two Hundred Fifty Thousand Dollars (\$250,000) in the aggregate in any consecutive three (3) month period.”

- 13 The Loan Agreement shall be amended by deleting the following definitions appearing in Section 13.1 thereof:

“Credit Extensions” is any Advance, letter of credit, foreign exchange forward contract, amount utilized for cash management services, Term Loan or any other extension of credit by Bank for Borrower’s benefit.

“Prime Rate” is the greater of (i) four percent (4.00%) per annum and (ii) Bank’s most recently announced “prime rate,” even if it is not Bank’s lowest rate.

and inserting in lieu thereof the following:

“**Credit Extensions**” is the Term Loan 2015, any letter of credit, foreign exchange forward contract, amount utilized for cash management services, or any other extension of credit by Bank for Borrower’s benefit.

“**Prime Rate**” is the rate of interest per annum from time to time published in the money rates section of The Wall Street Journal or any successor publication thereto as the “prime rate” then in effect; provided that if such rate of interest, as set forth from time to time in the money rates section of The Wall Street Journal, becomes unavailable for any reason as determined by Bank, the “Prime Rate” shall mean the rate of interest per annum announced by Bank as its prime rate in effect at its principal office in the State of California (such Bank announced Prime Rate not being intended to be the lowest rate of interest charged by Bank in connection with extensions of credit to debtors).

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

8. FEES. Borrower shall pay to Bank a non-refundable commitment fee equal to Thirty Thousand Dollars (\$30,000), which fee shall be due, and be deemed fully earned, on the Sixth Loan Modification Effective Date. In addition, Borrower shall reimburse Bank for all legal fees and expenses incurred in connection with this amendment to the Existing Loan Documents.

9. 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 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.

10. RATIFICATION OF PERFECTION CERTIFICATE. Borrower has delivered to Bank an updated Perfection Certificate dated as of the Sixth Loan Modification Effective Date (the “**Updated Perfection Certificate**”), which Updated Perfection Certificate shall supersede in all respects those certain Perfection Certificates, each dated as of February 18, 2010. Borrower and Bank acknowledge and agree that all references in the Loan Agreement to the “Perfection Certificate” shall hereinafter be deemed to be a reference to the Updated Perfection Certificate.

11. 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.

12. CONSISTENT CHANGES. The Existing Loan Documents are hereby amended wherever necessary to reflect the changes described above.
13. 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.
14. 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.
15. 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.
16. JURISDICTION/VENUE. Section 11 of the Loan Agreement is hereby incorporated by reference in its entirety.
17. COUNTERSIGNATURE. This Loan Modification Agreement shall become effective only when it shall have been executed by Borrower and Bank.
18. EFFECTIVENESS. As a condition precedent to the effectiveness of this Loan Modification Agreement and Bank's obligation to make the Term Loan, Bank shall have received the following prior to or concurrently with this Loan Modification Agreement, each in form and substance satisfactory to Bank:
- A. this Loan Modification Agreement duly executed on behalf of Borrower (including, without limitation, New Borrower);
 - B. copies, certified by a duly authorized officer of each Borrower (including, without limitation, New Borrower), to be true and complete as of the date hereof, of each of (i) the governing documents of such Borrower as in effect on the date hereof, (ii) the resolutions of such Borrower authorizing the execution and delivery of this Loan Modification Agreement, the other documents executed in connection herewith and such Borrower's performance of all of the transactions contemplated hereby, and (iii) an incumbency certificate giving the name and bearing a specimen signature of each individual who shall be so authorized on behalf of such Borrower;
 - C. a good standing certificate of each Borrower (including, without limitation, New Borrower), certified by the Secretary of State (or equivalent agency) of the state of incorporation of such Borrower and each jurisdiction in which such Borrower is qualified to conduct business, dated as of a date no earlier than thirty (30) days prior to the date hereof;
 - D. certified copies, dated as of a recent date, of financing statement, RPMRR and other lien searches of each Borrower (including, without limitation, New Borrower), as Bank may request and which shall be obtained by Bank, accompanied by written evidence (including any UCC and/or RPMRR
-

termination statements) that the Liens revealed in any such searched either (i) will be terminated prior to or in connection with the Agreement, or (ii) in the sole discretion of Bank, will constitute Permitted Liens;

- E. a filed copy, which shall be filed by Bank, acknowledged by the appropriate filing office, of a UCC Financing Statement, naming each New Borrower as “Debtor” and Bank as “Secured Party”;
- F. a Stock Pledge Agreement from each Borrower, together with the Resolutions of the Board of Directors of API Canada and Declaration of Sole Shareholder of API Canada in connection therewith;
- G. Original stock certificates/membership certificates issued by API, Picometrix and API Canada (for 65% of its voting and 100% of its non-voting equity), together with original stock powers/transfer powers in connection therewith;
- H. Intellectual property searches in respect of each New Borrower;
- I. an Intellectual Property Security Agreement from each New Borrower;
- J. the Updated Perfection Certificate;
- K. evidence satisfactory to Bank that the insurance policies required for Borrower (including, without limitation, New Borrower) are in full force and effect, together with appropriate evidence showing lender loss payable and/or additional insured clauses or endorsements in favor of Bank;
- L. evidence that, immediately prior to and after giving effect to the Merger, no Event of Default has occurred and is continuing (other than as specifically consented to herein);
- M. evidence that all Indebtedness of Borrower and New Borrower has been, or immediately upon the making of the Term Loan will be, repaid in full;
- N. Borrower’s payment of the fees set forth in Section 9 above; and
- O. such other documents as Bank may reasonably request.

[Signatures included on the following page]

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 Messick
Name: Dale Messick
Title: Chief Financial Officer

LUNA TECHNOLOGIES, INC.

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

BORROWER:

ADVANCED PHOTONIX, INC.

By /s/ Dale Messick
Name: Dale Messick
Title: Chief Executive Officer

PICOMETRIX, LLC

By /s/ Dale Messick
Name: Dale Messick
Title: Authorized Person

BANK:

SILICON VALLEY BANK

By: /s/ Michael Copt
Name: Michael Copt
Title: Vice President

EXHIBIT A

COLLATERAL DESCRIPTION

The Collateral consists of all of Borrower's right, title and interest in and to the following personal property:

All goods, Accounts (including health-care receivables), Equipment, Inventory, contract rights or rights to payment of money, leases, license agreements, franchise agreements, General Intangibles, commercial tort claims, documents, instruments (including any promissory notes), chattel paper (whether tangible or electronic), cash, deposit accounts, fixtures, letters of credit rights (whether or not the letter of credit is evidenced by a writing), securities, and all other investment property, supporting obligations, and financial assets, whether now owned or hereafter acquired, wherever located; and

all Borrower's Books relating to the foregoing, and any and all claims, rights and interests in any of the above and all substitutions for, additions, attachments, accessories, accessions and improvements to and replacements, products, proceeds and insurance proceeds of any or all of the foregoing.

Notwithstanding the foregoing, the Collateral does not include more than 65% of the presently existing and hereafter arising issued and outstanding shares of capital stock owned by Borrower of any Subsidiary organized outside of the United States which shares entitle the holder thereof to vote for directors or any other matter.

Exhibit B to Sixth Loan Modification Agreement

EXHIBIT B

COMPLIANCE CERTIFICATE

TO: SILICON VALLEY BANK Date: _____
FROM: LUNA INNOVATIONS INCORPORATED, et al

The undersigned authorized officer of Luna Innovations Incorporated, Luna Technologies, Inc., Advance Photonix, Inc., and Picometrix, LLC (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
10-Q, 10-K and 8-K	Within 5 days after filing with SEC	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	3,00,000	\$ _____	Yes No
Liquidity Coverage Ratio	>1.75:1.00	:1.00	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.
 ADVANCED PHOTONIX, INC.
 PICOMETRIX, LLC

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, to be certified as of the last day of each month, unrestricted cash at Bank of not less than Three Million Dollars (\$3,000,000).

Actual:

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

Is line A equal to or greater than \$3,000,000?

No, not in compliance ___ Yes, in compliance

II. **Liquidity Coverage Ratio** (Section 6.9(b))

Required: Borrower shall maintain at all times, to be certified as of the last day of each month, a Liquidity Coverage Ratio of greater than 1.75 to 1.00.

Actual:

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

B. Net accounts receivable of Borrower \$ _

C. Line B multiplied fifty percent (50%) \$ _

D. Line A. plus Line C \$ _

E. Aggregate of all Obligations owing to Bank, including, without limitation, all issued and outstanding letters of credit \$ _

F. Line D divided by Line E \$ _

Is Line F greater than 1.75?

No, not in compliance ___ Yes, in compliance

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We hereby consent to the incorporation by reference in the Registration Statements of Luna Innovations Incorporated on Form S-3 (File No. 333-191809) and Form S-8 (File No. 333-138745) of our report dated June 30, 2014, relating to the consolidated financial statements of Advanced Photonix, Inc., which appears in the joint proxy statement/prospectus that forms a part of the Registration Statement on Form S-4 of Luna Innovations Incorporated (File No. 333-201956), which is incorporated by reference into this Form 8-K.

/s/BDO USA, LLP

Troy, Michigan
May 11, 2015



News Release

Luna Innovations Incorporated
301 1st Street, SW, Suite 200
Roanoke, VA 24011

Luna and API Complete Merger

Combined company has a strengthened position in optical technology

ROANOKE, VA, (May 8, 2015) – Luna Innovations Incorporated (NASDAQ: LUNA), which develops and manufactures fiber optic sensing and test & measurement products for the telecommunications, aerospace, automotive, energy, and defense markets, and Advanced Photonix, Inc. (API), a leading supplier of optoelectronic sensors, devices, and instrumentation for the telecommunications, defense, medical and industrial markets, today announced that they have closed their merger. In an annual meeting earlier today, Luna's stockholders approved the issuance of 0.31782 shares of Luna common stock to API stockholders for each share of API common stock they own. API's stockholders approved the merger in a separate special meeting.

About Luna

Luna Innovations Incorporated (www.lunainc.com) is a public company composed of scientists, engineers, and business professionals developing and manufacturing a new generation of technologies and products. It has been successful in taking innovative technologies from applied research to product development and ultimately to the commercial market, driving breakthroughs in fields such as aerospace, automotive, telecommunications, healthcare, energy, and defense.

About API

Advanced Photonix, Inc.[®] is a leading supplier of optoelectronic sensors, devices and instruments used by Test and Measurement, Process Control, Medical, Telecommunication and Homeland Security markets. API has three product lines: High-Speed Optical Receiver (HSOR) products are used by the telecommunication market in both telecommunication equipment and in test and measurement equipment utilized in the manufacturing of telecommunication equipment. The Terahertz sensor product line is targeted to the Process Control (including through non-destructive testing) and Security markets. API's T-Gauge[®] sensor can measure subsurface physical properties, like multi-layers thicknesses, density, moisture content, anomaly detection and some chemical features, online and in real time. Optosolutions focuses on enabling manufacturers to measure physical properties, including temperature, particular counting, color, and fluorescence for Medical, Homeland Security and Process Control applications. For more information visit www.advancedphotonix.com.

Forward Looking Statements

This release includes information that constitutes “forward-looking statements” made pursuant to the safe harbor provision of the Private Securities Litigation Reform Act of 1995 that involve risk and uncertainties. These statements include our expectations regarding the prospects of the combined company and the companies’ future growth. Management cautions the reader that these forward-looking statements are only predictions and are subject to a number of both known and unknown risks and uncertainties, and actual results, performance, and/or achievements of the companies may differ materially from the future results, performance and/or achievements expressed or implied by these forward-looking statements as a result of a number of factors. These factors include, but are not limited to: the uniqueness and advantages of Luna’s or API’s technology and intellectual property; potential costs savings and synergies from the merger; potential for greater profitability; potential for future commercialization of their technologies; the competitive advantage afforded by Luna’s or API’s technology; the potential efficacy of Luna’s or API’s technology; and growth potential of certain markets. Statements that describe the companies’ business strategies, goals, prospects, opportunities, outlook, plans or intentions are also forward-looking statements. Uncertainties regarding technical and scientific difficulties, issues that might arise in any particular business relationship and other risks and uncertainties are set forth in the companies’ periodic reports and other filings with the Securities and Exchange Commission. Such filings are available at the SEC's website at <http://www.sec.gov>, and at the companies’ websites at <http://www.lunainc.com> and <http://www.advancedphotonix.com>. The statements made in this release are based on information available to the companies as of the date of this release and Luna and API undertake no obligation to update any of the forward-looking statements after the date of this release, except as required by law.

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Contact:

Dale Messick

Luna Innovations Incorporated

Phone: 1.540.769.8400

Email: IR@lunainc.com