

**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): August 9, 2011

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 2.02. Results of Operations and Financial Condition

On August 9, 2011, Luna Innovations Incorporated (the “Company”) issued a press release announcing its financial results for the second quarter and six months ended June 30, 2011, which also included certain forward-looking statements relating to the third quarter ending September 30, 2011 and the full year ending December 31, 2011, as well as information regarding a conference call to discuss these financial results. A copy of the press release is furnished as Exhibit 99.1 to this Current Report on Form 8-K and is incorporated herein by reference.

The information in this Current Report on Form 8-K and the exhibit attached hereto is being furnished and shall not be deemed “filed” for purposes of Section 18 of the Securities Exchange Act of 1934, as amended (the “Exchange Act”) 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, as amended, or the Exchange Act, regardless of any general incorporation language in such filing.

Item 9.01. Financial Statements and Exhibits

(d) Exhibits.

<u>Exhibit</u>	<u>Description</u>
99.1	Press Release dated August 9, 2011 by 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: August 9, 2011

EXHIBIT INDEX

<u>Exhibit</u>	<u>Description</u>
99.1	Press Release dated August 9, 2011 by Luna Innovations Incorporated.



Release
Luna Innovations Incorporated
1 Riverside Circle, Suite 400
Roanoke, VA 24016

Luna Innovations Reports Second Quarter 2011 Financial Results

Total revenues increase 7% over prior year quarter; Product & license revenues increase 38% over prior year quarter; Fourth consecutive quarter of positive cash flow

(ROANOKE, VA, August 9, 2011) – Luna Innovations Incorporated (NASDAQ: LUNA) today announced its financial results for the second quarter and six months ended June 30, 2011.

As compared to the same quarter last year, product and license revenue increased by 38%, from \$2.9 million in the second quarter of 2010 to \$4.0 million in the second quarter of 2011, while total revenue increased by 7%, from \$9.0 million in the second quarter of 2010 to \$9.6 million in the second quarter of 2011. Gross profit increased from \$3.3 million for the second quarter of 2010 to \$3.7 million for the second quarter of 2011. The company reported a net loss attributable to common stockholders of \$0.3 million, or \$0.02 per common share for the second quarter of 2011, as compared to a net loss attributable to common stockholders of \$0.7 million, or \$0.05 per common share for the second quarter of 2010. Adjusted EBITDA, a non-GAAP measure, which is earnings before interest, taxes, depreciation and amortization, excluding litigation and reorganization related items and non-cash stock-based compensation and warrant expense, decreased to \$0.7 million for the second quarter of 2011, as compared to \$0.8 million for the second quarter of 2010. Cash increased to \$8.1 million at June 30, 2011 compared to \$6.3 million at June 30, 2010.

“We are pleased to see continued improvement in our bottom line and cash flow, largely being accomplished through growth in our product and license revenue, which saw a year-over-year increase of 38%,” said My Chung, chief executive officer of Luna. “We remain focused on molding our corporate strategy to align product development, contract research, and services with a commercialization strategy that will facilitate long-term growth and increased shareholder value.”

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Second Quarter Financial and Business Summary

- Total revenues increased by 7%, from \$9.0 million in the second quarter of 2010 to \$9.6 million in the second quarter of 2011.
- Product and license revenue increased by 38%, from \$2.9 million in the second quarter of 2010 to \$4.0 million in the second quarter of 2011. Technology development revenues decreased by 8%, to \$5.6 million, for the second quarter of 2011 from \$6.1 million for the second quarter of 2010.
- Gross profit for the second quarter of 2011 increased to \$3.7 million, or 38% of total revenues, from \$3.3 million, or 37% of total revenues, for the corresponding period of 2010.
- Selling, general and administrative expenses decreased by 3% to \$3.3 million, or 34% of total revenues for the second quarter of 2011, from \$3.4 million, or 37% of total revenues, for the second quarter of 2010.
- Total operating expenses increased to \$3.9 million, or 40% of total revenues, for the second quarter of 2011 from \$3.8 million, or 42% of total revenues for the second quarter of 2010.
- Adjusted EBITDA decreased to \$0.7 million in the second quarter 2011 from \$0.8 million in the second quarter of 2010.
- Net loss attributable to common stockholders improved to \$0.3 million for the second quarter of 2011 compared to a net loss attributable to common stockholders of \$0.7 million for the second quarter of 2010.
- Achieved fourth consecutive quarter of positive cash flow. Cash and cash equivalents totaled \$8.1 million at June 30, 2011, as compared to \$7.5 million at March 31, 2011. The second quarter of 2011 included \$0.4 million of additional indebtedness as a part of the refinancing with Silicon Valley Bank discussed below.
- My E. Chung appointed as Luna's president, chief executive officer and a member of the board of directors.

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— Luna refinanced its credit facility with Silicon Valley Bank to establish a \$6.0 million term loan and a \$1.0 million revolving line of credit. With the proceeds of the term loan, Luna repaid the remaining balance on the promissory note to Hansen Medical, Inc. of \$3.0 million and its prior balance on its revolving line of credit with Silicon Valley Bank of \$2.5 million.

Six Months Ended June 30, 2011 Financial Summary

— Total revenue increased \$1.7 million, or 10%, to \$18.6 million for the six months ended June 30, 2011 compared to \$16.9 million for the six months ended June 30, 2010.

— Product and license revenue increased by 48%, from \$5.0 million for the six months ended June 30, 2010 to \$7.4 million for the six months ended June 30, 2011. Technology development revenues decreased by 6%, from \$11.9 million for the six months ended June 30, 2010 to \$11.2 million for the six months ended June 30, 2011.

— Gross profit for the six months ended June 30, 2011 increased by 14%, to \$7.0 million, compared to a gross profit of \$6.1 million for the six months ended June 30, 2010.

— Selling, general and administrative expenses increased by 2% from \$6.8 million, or 40% of total revenues, for the six months ended June 30, 2010 to \$6.9 million, or 37% of total revenues, for the six months ended June 30, 2011.

— Total operating expenses increased by 5% to \$8.1 million, or 44% of total revenues, for the six months ended June 30, 2011 compared to \$7.7 million, or 46% of total revenues, for the six months ended June 30, 2010.

— Adjusted EBITDA decreased to \$1.0 million for the six months ended June 30, 2011 from \$1.4 million for the six months ended June 30, 2010.

— Net loss attributable to common stockholders improved to \$1.4 million for the six months ended June 30, 2011 compared to a net loss attributable to common stockholders of \$2.0 million for the six months ended June 30, 2010.

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Outlook 2011

Based on information as of August 9, 2011, the company expects total revenue for 2011 to be in the range of \$35.0 million to \$37.0 million. Also for 2011, the company anticipates a net loss to common stockholders in the range of \$2.5 million to \$3.0 million. For the third quarter of 2011, the company expects revenue of approximately \$8.5 million to \$9.0 million and a net loss attributable to common stockholders of approximately \$0.5 million to \$0.7 million.

Non-GAAP Measures

In evaluating the operating performance of its business, Luna's management excludes certain charges and credits that are required by generally accepted accounting principles ("GAAP"). These non-GAAP results provide useful information to both management and investors by excluding items that the company believes may not be indicative of its operating performance, because either they are unusual and the company does not expect them to recur in the ordinary course of its business or they are unrelated to the ongoing operation of the business in the ordinary course. These non-GAAP measures should be considered in addition to results and guidance prepared in accordance with GAAP, but should not be considered a substitute for, or superior to, GAAP results. The non-GAAP measures included in this press release have been reconciled to the nearest GAAP measure in the table following the financial statements attached to this press release.

Conference Call Information

As previously announced, Luna Innovations will conduct an investor conference call at 5:00 p.m. (EDT) today to discuss its financial results and business developments for the second quarter of 2011 and expectations for the remainder of 2011. The call can be accessed by dialing **866.356.3095** domestically or **617.597.5391** internationally prior to the start of the call. The participant access code is **73844771**. Investors are advised to dial in at least five minutes prior to the call to register. The conference call will also be webcast live over the Internet. The webcast can be accessed by logging on to the "Investor Relations" section of the Luna Innovations website, www.lunainnovations.com, prior to the event. The webcast will be archived under the "Webcasts and Presentations" section of the Luna Innovations website for at least 30 days following the conference call.

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About Luna Innovations:

Luna Innovations Incorporated (www.lunainnovations.com) is focused on sensing and instrumentation. Luna develops and manufactures new-generation products for the healthcare, telecommunications, energy and defense markets. The company's products are used to measure, monitor, protect and improve critical processes in the markets we serve. Through its disciplined commercialization business model, Luna has become a recognized leader in transitioning science to solutions. Luna is headquartered in Roanoke, Virginia.

Forward-Looking Statements:

The statements in this release that are not historical facts constitute "forward-looking statements" made pursuant to the safe harbor provision of the Private Securities Litigation Reform Act of 1995 that involve risks and uncertainties. These statements include our expectations regarding financial results for the third quarter and full year 2011, as well as the demand for the company's fiber optic equipment and technologies. 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 company 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, without limitation the fact that the outlook for the third quarter and full year 2011 could change, failure of demand for the company's products and services to meet expectations, and those risks and uncertainties set forth in the company's periodic reports and other filings with the Securities and Exchange Commission. Such filings are available at the SEC's website at www.sec.gov, and at the company's website at www.lunainnovations.com. The statements made in this release are based on information available to the company as of the date of this release and Luna Innovations undertakes no obligation to update any of the forward-looking statements after the date of this release.

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Luna Innovations Incorporated
Condensed Consolidated Statements of Operations

	Three Months Ended June 30,		Six Months Ended June 30,	
	2011	2010	2011	2010
	(unaudited)		(unaudited)	
Revenues:				
Technology development revenues	\$5,623,074	\$6,091,503	\$11,244,689	\$11,902,597
Product and license revenues	<u>4,000,515</u>	<u>2,907,139</u>	<u>7,377,525</u>	<u>4,981,836</u>
Total revenues	9,623,589	8,998,642	18,622,214	16,884,433
Cost of revenues:				
Technology development costs	4,194,442	4,192,920	8,280,608	8,025,260
Product and license costs	<u>1,767,778</u>	<u>1,499,861</u>	<u>3,340,469</u>	<u>2,719,102</u>
Total cost of revenues	<u>5,962,220</u>	<u>5,692,781</u>	<u>11,621,077</u>	<u>10,744,362</u>
Gross Profit	3,661,369	3,305,861	7,001,137	6,140,071
Operating expense:				
Selling, general and administrative	3,251,073	3,350,524	6,929,593	6,765,036
Research, development, and engineering	<u>620,470</u>	<u>430,181</u>	<u>1,180,159</u>	<u>946,809</u>
Total operating expense	<u>3,871,543</u>	<u>3,780,705</u>	<u>8,109,752</u>	<u>7,711,845</u>
Operating loss	(210,174)	(474,844)	(1,108,615)	(1,571,774)
Other income/(expense)	37,823	—	35,835	(14,872)
Interest expense	<u>(84,303)</u>	<u>(143,485)</u>	<u>(198,725)</u>	<u>(227,526)</u>
Total other income/(expense)	(46,480)	(143,485)	(162,890)	(242,398)
Loss before income taxes	(256,654)	(618,329)	(1,271,505)	(1,814,172)
Income tax expense	<u>—</u>	<u>—</u>	<u>10,020</u>	<u>—</u>
Net loss	(256,654)	(618,329)	(1,281,525)	(1,814,172)
Preferred stock dividend	32,708	93,000	74,336	174,633
Net loss attributable to common stockholders	<u>\$ (289,362)</u>	<u>\$ (711,329)</u>	<u>\$ (1,355,861)</u>	<u>\$ (1,988,805)</u>
Net loss per share of common stock:	<u>\$ (0.02)</u>	<u>\$ (0.05)</u>	<u>\$ (0.10)</u>	<u>\$ (0.16)</u>

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Luna Innovations Incorporated
Condensed Consolidated Balance Sheets

	June 30, 2011 (unaudited)	December 31, 2010
Assets		
Current assets		
Cash and cash equivalents	\$ 8,066,006	\$ 7,216,580
Accounts receivable, net	6,675,480	7,669,625
Inventory, net	3,772,483	3,106,600
Prepaid expenses	688,057	665,210
Other current assets	45,004	45,348
Total current assets	19,247,030	18,703,363
Property and equipment, net	3,144,099	3,204,670
Intangible assets, net	662,551	664,418
Other assets	265,627	303,210
Total assets	<u>\$ 23,319,307</u>	<u>\$ 22,875,661</u>
Liabilities and stockholders' equity		
Liabilities :		
Current Liabilities		
Line of credit	\$ —	\$ 2,500,000
Current portion of long term debt obligation	1,500,000	1,195,784
Current portion of capital lease obligation	49,446	2,194
Accounts payable	1,498,678	2,008,183
Accrued liabilities	4,209,901	3,549,604
Deferred credits	1,685,740	1,392,602
Total current liabilities	8,943,765	10,648,367
Long-term debt obligation	4,375,000	2,611,609
Long-term lease obligation	208,864	—
Total liabilities	13,527,629	13,259,976
Commitments and contingencies		
Stockholders' equity:		
Preferred stock	1,322	1,322
Common stock	13,763	13,526
Additional paid-in capital	58,213,370	56,681,756
Accumulated deficit	(48,436,777)	(47,080,919)
Total stockholders' equity	9,791,678	9,615,685
Total liabilities and stockholders' equity	<u>\$ 23,319,307</u>	<u>\$ 22,875,661</u>

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Luna Innovations Incorporated
Condensed Consolidated Statements of Cash Flows

	Six months ended	
	June 30,	
	2011	2010
	(unaudited)	
Cash flows provided by (used in) operating activities		
Net loss	\$(1,281,525)	\$(1,814,172)
Adjustments to reconcile net loss to net cash provided by (used in) operating activities		
Depreciation and amortization	710,269	641,979
Share-based compensation	1,275,147	1,763,015
Warrant expense	38,893	122,183
Change in assets and liabilities:		
Accounts receivable	994,149	(1,007,451)
Inventory	(665,883)	(127,163)
Other current assets	(22,503)	668,871
Other assets	37,583	31,024
Accounts payable and accrued expenses	111,900	(2,386,304)
Deferred credits	103,138	426,444
Net cash provided by (used in) operating activities	<u>1,301,168</u>	<u>(1,681,574)</u>
Cash flows used in investing activities		
Acquisition of property and equipment	(173,945)	(39,146)
Intangible property costs	(199,741)	(88,712)
Net cash used in investing activities	<u>(373,686)</u>	<u>(127,858)</u>
Cash flows provided by (used in) financing activities		
Payments on capital lease obligations	(18,030)	(2,684)
Proceeds from debt obligations	6,000,000	2,500,000
Payment of debt obligations	(6,242,394)	(265,657)
Proceeds from the exercise of options and warrants	182,368	616,940
Net cash (used in) provided by financing activities	<u>(78,056)</u>	<u>2,848,599</u>
Net change in cash	849,426	1,039,167
Cash and cash equivalents—beginning of period	<u>7,216,580</u>	<u>5,228,802</u>
Cash and cash equivalents—end of period	<u>\$ 8,066,006</u>	<u>\$ 6,267,969</u>

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Luna Innovations Incorporated
Reconciliation of Net Loss to EBITDA and Adjusted EBITDA

	Three Months Ended		Six Months Ended	
	June 30,		June 30,	
	2011	2010	2011	2010
	(unaudited)		(unaudited)	
Reconciliation of Net Loss to EBITDA and Adjusted EBITDA				
Net loss	\$(256,654)	\$(618,329)	\$(1,281,525)	\$(1,814,172)
Interest expense	84,303	143,485	198,725	227,526
Income tax expense	—	—	10,020	—
Depreciation and amortization	<u>382,856</u>	<u>313,020</u>	<u>710,269</u>	<u>641,979</u>
EBITDA	210,505	(161,824)	(362,511)	(944,667)
Stock-based compensation and warrant expense	472,328	950,814	1,314,040	1,886,198
Fees associated with Hansen litigation and Chapter 11 reorganization	—	<u>39,863</u>	—	<u>422,750</u>
Adjusted EBITDA	<u>\$ 682,833</u>	<u>\$ 828,853</u>	<u>\$ 951,529</u>	<u>\$ 1,364,281</u>

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