

**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): December 12, 2006

Luna Innovations Incorporated

(Exact name of registrant as specified in its charter)

Delaware
(State or other jurisdiction
of incorporation)

000-52008
(Commission File Number)

54-1560050
(IRS Employer
Identification No.)

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

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

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

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

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

Item 1.01. Entry into a Material Definitive Agreement.

On December 12, 2006, Luna Innovations Incorporated (“Luna”) entered into an Asset Transfer and License Agreement (the “Agreement”) with Coherent, Inc. (“Coherent”). Under the Agreement, Luna acquired certain manufacturing equipment and inventory (the “Transferred Assets”) previously used by Coherent to manufacture the “Iolon” brand of swept tunable lasers (the “Lasers”) and provided training to enable Luna to make such Lasers. In addition, Coherent granted to Luna non-exclusive licenses to the patents, patent applications and other intellectual property rights owned or controlled by Coherent for making, having made, using, importing, selling and offering for sale the Lasers (the “Licenses”).

As consideration for the Transferred Assets and the Licenses, Luna agreed to pay Coherent a total of \$1.3 million over a period of two (2) years and royalty payments for a period of ten (10) years following the date of the Agreement on products sold by Luna that incorporate the Lasers or that are manufactured using the intellectual property covered by the Licenses. Luna also agreed to sell Coherent a limited number of Lasers each year for a period of ten (10) years following the date of the Agreement, subject to certain terms and conditions. Each party to the Agreement shall bear its own costs.

A press release relating to the Agreement is furnished as Exhibit 99.1 attached hereto.

Item 9.01(d). Exhibits

<u>Exhibit No.</u>	<u>Description</u>
99.1	Press Release dated December 18, 2006 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/ Aaron S. Hullman
Aaron S. Hullman
Vice President and General Counsel

Date: December 18, 2006

EXHIBIT INDEX

<u>Exhibit No.</u>	<u>Description</u>
99.1	Press Release dated December 18, 2006 by Luna Innovations Incorporated.



Press Release

Luna Innovations Incorporated
1703 South Jefferson Street SW, Suite 400
Roanoke, VA 24016

Media Contact:

Karin Clark
Luna Innovations Incorporated
Email: kclark@lunainnovations.com
Phone: 1.540.769.8400

Investor Contact:

Sally Beerbower
Qorvis Communications
Email: ir@lunainnovations.com
Phone: 1.703.744.7800

Luna Innovations Acquires Rights to Tunable Laser from Coherent
Laser expected to improve performance, lower cost and enable new products

Roanoke, Virginia – December 18, 2006 – Luna Innovations Incorporated (NASDAQ: LUNA) has entered into a technology transfer and licensing agreement with Coherent, Inc. (NASDAQ: COHR) giving Luna the right to manufacture and sell the former Iolon “Apollo” line of swept tunable lasers. The Iolon laser is a miniaturized, external-cavity laser offering high performance in a compact footprint. Such lasers were designed with systems integration in mind and are applicable to a range of fiber optic test and measurement, instrumentation, and sensing applications. Under the agreement, Luna acquired manufacturing equipment and inventory previously used by Coherent to manufacture the lasers, as well as non-exclusive licenses to Coherent’s patents and other intellectual property rights related to the transferred technology.

Kent Murphy, Luna Innovations’ Chairman and Chief Executive Officer, commented, “We entered into this agreement with Coherent to allow us to compete more effectively in Luna’s existing fiber optic test and measurement markets by providing our customers with fast, flexible and cost-effective test and measurement products. Acquiring this laser technology also allows us to aggressively pursue business opportunities in new markets such as industrial and medical sensing.”

Tunable laser technology is a key element in Luna’s existing fiber optic test, measurement and sensing products lines. These products employ frequency-tuned lasers to measure various aspects of the transmission properties of telecommunications fiber optic components and systems. Lasers are also used in fiber optic sensing applications such as distributed strain and temperature mapping, and distributed

~ MORE ~

measurement of shape. The former Iolon laser was also designed for high-volume manufacturing, which is a critical factor in Luna's growth strategy.

"The Iolon laser comes in a highly reliable, miniaturized package that we believe will improve the scalability, ruggedness and speed of Luna's existing line of fiber optic test products," said Brian Soller, General Manager of Luna Technologies, the test and measurement division of Luna Innovations. "The functionality of this laser allows faster, more flexible solutions for our customers, which ultimately gives them the ability to make better products at lower costs."

About Luna Innovations Incorporated:

Luna Innovations Incorporated researches, develops and commercializes innovative technologies in molecular technology and sensing solutions. Luna accelerates the process of bringing new and innovative products to market by focusing on technologies that can fulfill identified market needs and then takes these technologies from the applied research stage through commercialization. Since its inception, Luna has successfully developed products for the energy, telecommunications, life sciences and defense industries. Headquartered in Roanoke, Virginia, the company has research, development and manufacturing facilities in Blacksburg, Charlottesville, Hampton, and Danville, Virginia and a sales office in McLean, Virginia. Additional information can be found at www.lunainnovations.com.

FORWARD LOOKING STATEMENTS

This press release includes information that constitutes "forward-looking statements" made pursuant to the safe harbor provision of the Private Securities Litigation Reform Act of 1995, including but not limited to statements regarding: the laser's ability to improve performance, flexibility and cost-effectiveness and to enable new products; Luna's ability to compete more effectively in its existing fiber optic test and measurement markets; Luna's ability to pursue business opportunities in new markets; the laser's ability to improve the scalability, ruggedness and speed of Luna's existing line of fiber optic test products; and whether the laser will allow Luna to deliver faster, more flexible solutions to its customers, and allow them to make better products at lower costs. Statements that describe the Company's business strategy, goals, prospects, opportunities, outlook, plans or intentions are also forward-looking statements. Actual events or results may differ materially from the expectations expressed in such forward-looking statements as a result of various factors, including risks and uncertainties, which are beyond Luna Innovations' control. Factors that may affect the future results of Luna Innovations are set forth in its Registration Statement on Form S-1, its quarterly reports on Form 10-Q and other filings with the Securities and Exchange Commission ("SEC"), which are available at the SEC's website at <http://www.sec.gov>, and at Luna Innovations'

~ MORE ~

website at <http://www.lunainnovations.com>. The statements made in this press 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 herein after the date of this press release.

###