

**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 1, 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.

On March 1, 2013, Luna Innovations Incorporated (the "Company") entered into an Asset Purchase Agreement with MacAulay-Brown, Inc. ("Buyer"), under which the Company sold its Secure Computing and Communications group ("SCC") to Buyer for \$6.1 million in cash (the "Transaction"). Of the purchase price, \$110,000 will be payable on December 31, 2013 and an additional \$600,000 was placed in escrow to be released in tranches over the 18 months, subject to certain events and dates and to any indemnification claims of Buyer. Buyer acquired all of the assets of SCC, including SCC's intellectual property, in the Transaction. The Asset Purchase Agreement contains representations and warranties, covenants and indemnification provisions common to transactions of this nature.

In connection with the Transaction, Buyer also entered into a sublease of the same date with the Company that permits Buyer to continue operating the SCC business in its current location in the Company's Roanoke, Virginia headquarters through December 31, 2013. Buyer and the Company also entered into a series of subcontract agreements in order to transition certain government contracts that the parties will seek to have novated to Buyer. Additionally, the Company and Buyer entered into a Transition Services Agreement pursuant to which the Company will provide certain short-term transition services to Buyer related to the Transaction.

The foregoing summary is not complete and is qualified in its entirety by reference to the Asset Purchase Agreement, a copy of which will be filed as an exhibit to the Company's Quarterly Report on Form 10-Q for the quarter ending March 31, 2013.

Item 2.01. Completion of Acquisition or Disposition of Assets.

The information included in Item 1.01 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.

(e) In connection with the completion of the Transaction, the Company awarded a special bonus of \$50,000 to Scott Graeff, the Company's Chief Commercialization Officer, in recognition of his efforts in consummating the Transaction.

Item 7.01. Regulation FD Disclosure.

On March 4, 2013, the Company issued a press release announcing the execution of the Asset Purchase Agreement with Buyer and the completion of the Transaction. A copy of this press release is furnished herewith as Exhibit 99.1 to this report.

In accordance with general instruction B.2 to 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.

(d) Exhibits

<u>Exhibit Number</u>	<u>Exhibit Description</u>
99.1	Press Release of Luna Innovations Incorporated, dated March 4, 2013.

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 4, 2013

EXHIBIT INDEX

**Exhibit
Number**

Exhibit Description

99.1

Press Release of Luna Innovations Incorporated, dated March 4, 2013.



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

Contact:

Dale Messick
Luna Innovations Incorporated
Phone: 1.540.769.8400
Email: IR@lunainc.com

Luna Sells Secure Computing and Communications Group

*Deal with MacAulay-Brown, Inc. to help Luna focus on core strengths
in fiber optics*

ROANOKE, Va., (March 4, 2013) – Luna Innovations Incorporated (NASDAQ: LUNA), which develops and manufactures new-generation products for the healthcare, telecommunications, energy and defense markets, today announced the sale of its Secure Computing and Communications (SCC) group to MacAulay-Brown, Inc. (MacB).

The sale of SCC will enable Luna to more narrowly focus on the company’s key strategic initiatives that relate to its core strength in fiber optic sensing while reducing the company’s exposure to reductions in government spending.

“We are very proud of the unique expertise we developed in secure computing technology. The sale of SCC allows us to increase liquidity and focus on the growth potential of our core fiber-optic technology,” said My Chung, Luna’s CEO. “MacB has a strategic focus in areas where our SCC technology is already being applied as well as the infrastructure to advance this technology for military and intelligence customers. This is truly an ideal home for this unique technology and the talented people of SCC.

“This sale accelerates the monetization of our secure computing technology while mitigating exposure to reductions in government spending,” Chung added. “We look forward to working with MacB and SCC’s customers on a smooth transition.”

~ MORE ~

Since 2003, SCC has conducted research and development of innovative electronic components and methods, and has provided technical services with a focus on critical U.S. military and National Security applications. In addition, SCC is a leader in the development of methods and technologies to build trust into integrated circuits and energy management systems.

“We are delighted to welcome SCC to our growing portfolio,” said Sid Fuchs, President and CEO of MacB. “This advanced technology is a good strategic fit that builds on the role we play in our nation’s defense. In working with SCC to verify the capability and usability of its products, we recognized the benefits of this growing technology for our existing customers and our ability to bring this technology to market.”

Employees of SCC, as well as the business and intellectual property portfolio, will shift to MacB, a privately held company that provides advanced engineering services and national security solutions.

About Luna

Luna Innovations Incorporated (www.lunainc.com) focuses 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 it serves.

About MacAulay-Brown

For more than 30 years, MacAulay-Brown, Inc. (MacB), owned by industry veterans Syd and Sharon Martin, has been solving some of the Nation’s most complex National Security challenges. Defense, Intelligence Community, Homeland Security and Federal agencies rely on MacB’s innovative and proven engineering and technical solutions to meet the challenges of an ever-changing world. With Corporate Headquarters in Dayton, Ohio and National Capital Headquarters in Vienna, Va., MacB’s 2,000 employees worldwide are dedicated to developing mission focused and results oriented solutions that make a difference where and when it matters most.

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, including statements regarding, but not limited to: the transition of the SCC business to MacAulay-Brown and the future growth of Luna’s core fiber optic technologies. Statements that describe Luna’s business strategy, goals, prospects, opportunities, outlook, plans or intentions are also forward-

looking statements. Actual results may differ materially from the expectations expressed in such forward-looking statements as a result of various factors, including technological challenges in specific applications and risks and uncertainties set forth in Luna's 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 Luna's website at <http://www.lunainc.com>. The statements made in this release are based on information available to Luna as of the date of this release and Luna undertakes no obligation to update any of the forward-looking statements after the date of this release.

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