

**CHARTER FOR THE COMPENSATION COMMITTEE
OF THE BOARD OF DIRECTORS
OF
LUNA INNOVATIONS INCORPORATED
(As Revised December 7, 2015)**

PURPOSE:

The purpose of the Compensation Committee of the Board of Directors (the “**Board**”) of Luna Innovations Incorporated (the “**Company**”) shall be to discharge the Board’s responsibilities relating to compensation of the Company’s executive officers (the “**Executive Officers**”). The Compensation Committee has overall responsibility for approving and evaluating the compensation plans, policies and programs of the Company. The Compensation Committee is also responsible for producing an annual report on executive compensation for inclusion in the Company’s proxy statement.

The approval of this Charter by the Board shall be construed as a delegation of authority to the Compensation Committee with respect to the responsibilities set forth herein and the Compensation Committee will have the authority to undertake such other specific duties as the Board from time to time prescribes.

STATEMENT OF POLICY:

The philosophy of the Compensation Committee is to provide an overall compensation structure in such a manner as to attract and retain the best available personnel for positions of substantial responsibility with the Company, to provide incentives for such persons to perform to the best of their abilities for the Company, and to promote the success of the Company’s business.

MEMBERSHIP:

The Compensation Committee will be appointed by and will serve at the discretion of the Board. The Compensation Committee shall consist of at least two members. The members of the Compensation Committee shall meet (i) the non-employee director definition of Rule 16b-3 promulgated under Section 16 of the Securities Exchange Act of 1934, as amended, (ii) the outside director definition of Section 162(m) of the Internal Revenue Code of 1986, as amended (the “**IRC**”) and (iii) the independence requirements of the listing standards of the Nasdaq Stock Market, except as otherwise permitted by the rules of the Nasdaq Stock Market.

The members of the Compensation Committee will be appointed by the Board, and will serve at the discretion of the Board. Vacancies occurring on the Compensation Committee shall be filled by the Board. The Compensation Committee’s chairperson shall be appointed by the Board on the recommendation of the Nominating and Governance Committee.

COMMITTEE RESPONSIBILITIES AND AUTHORITY:

The responsibilities of the Compensation Committee include the following:

- The Compensation Committee shall establish and approve the individual and corporate goals and objectives of the Company's Chief Executive Officer that are periodically established and shall evaluate the Chief Executive Officer's performance in light of relevant corporate goals and objectives, including the policy of the Compensation Committee and the Chief Executive Officer's performance in: (a) fostering a corporate culture that promotes the highest level of integrity and ethical standards; (b) developing and executing the Company's long-term strategic plan and conducting the business of the Company in a manner appropriate to enhance long-term stockholder value; (c) achieving any other corporate performance goals and objectives deemed relevant to the Chief Executive Officer as set by the Compensation Committee; and (d) achieving the Chief Executive Officer's individual performance goals and objectives as set by the Compensation Committee. In determining the long-term incentive component of the Chief Executive Officer's compensation, the Compensation Committee should seek to achieve an appropriate level of risk and reward, taking into consideration the Company's performance and relative stockholder return, the potential benefits and costs to the Company of the award, the value of similar incentive awards given to chief executive officers of comparable companies, the awards given to the Company's Chief Executive Officer in past years, and such other criteria as the Compensation Committee deems advisable. The Chief Executive Officer may not be present during the voting or deliberations regarding his or her compensation.
- The Compensation Committee shall review and approve (or, if it deems appropriate, recommend to the Board for determination and approval) the individual and corporate performance goals and objectives of the Company's other executive officers, or other senior management, as appropriate, that are periodically established. The Compensation Committee shall review, determine and approve (or, if it deems appropriate, recommend to the Board for determination and approval) the compensation and other terms of employment of each such executive officer or other senior management, taking into consideration the executive officer's or senior management's success in achieving his or her individual performance goals and objectives and the corporate performance goals and objectives deemed relevant to the executive officer as established by the Compensation Committee, as well as in fostering a corporate culture that promotes the highest levels of integrity and the highest ethical standards.
- The Compensation Committee has the authority to review and to make recommendations to the Board with respect to:
 - General compensation goals and guidelines for the Company's employees and the criteria by which bonuses and stock compensation awards to the Company's employees are determined;
 - Amendments to the equity compensation plans adopted by the Board and changes in the number of shares reserved for issuance thereunder; and
 - Other plans that are proposed for adoption or adopted by the Company for the provision of compensation to employees of, directors of and consultants to the Company.

- The Compensation Committee shall evaluate director compensation, consulting with outside consultants and/or with the Human Resources department when appropriate, and make recommendations to the Board regarding director compensation. The Compensation Committee shall also periodically consider and, if appropriate, establish stock ownership guidelines for non-employee directors.
- The Compensation Committee shall adopt, amend and terminate (or, if it deems appropriate, recommend to the Board for adoption, amendment or termination) the Company's stock option plans, stock appreciation rights plans, pension and profit sharing plans, incentive plans, stock bonus plans, stock purchase plans, bonus plans, deferred compensation plans and similar programs. The Compensation Committee shall have full power and authority to administer these plans, establish guidelines, interpret plan documents, select participants, approve grants and awards and exercise such other power and authority as may be permitted or required under such plans.
- The Compensation Committee shall evaluate on a periodic basis the competitiveness of (i) the compensation of the CEO and the Executive Officers and (ii) the Company's overall compensation plans.
- The Compensation Committee shall approve all option grants to Executive Officers so that grants will comply with Section 162(m) of the IRC.
- The Compensation Committee may authorize the repurchase of shares from terminated employees pursuant to applicable law.
- The Compensation Committee may form and delegate authority to subcommittees when appropriate, including a Non-Officer Stock Option Committee, which would consist of one or more members of the Board with the authority to grant stock options to purchase shares of Common Stock within fixed guidelines (previously approved by the Board) to each new non-officer employee of the Company.
- The Compensation Committee shall have the sole authority to retain and terminate any compensation consultant to be used by the Company to assist in the evaluation of director, Chief Executive Officer or other executive officer compensation and shall have sole authority to approve the consultant's fees and other retention terms. The Compensation Committee shall review and discuss with management, if appropriate, any conflicts of interest raised by the work of any compensation consultant that had any role in determining or recommending the amount or form of executive or director compensation or was retained by the Compensation Committee or management and how such conflict is being addressed for disclosure in the Company's annual proxy statement in accordance with applicable rules and regulations of the Securities and Exchange Commission (the "SEC"). The Compensation Committee shall also have authority to obtain advice and assistance from internal or external legal, accounting or other advisors. The Compensation Committee shall be directly responsible for the oversight of the work of any compensation consultant, legal counsel and other adviser retained by the Compensation Committee, and such advisers shall report directly, and be accountable, to the Compensation Committee. The Company must provide for appropriate funding, as

determined by the Compensation Committee, for payment of reasonable compensation to a compensation consultant, legal counsel or any other adviser retained by the Compensation Committee. Nothing in this provision requires the Compensation Committee to implement or act consistently with the advice or recommendations of any adviser or affects the ability or obligation of the Compensation Committee to exercise its own judgment in fulfillment of its duties.

- The Compensation Committee shall produce a report on executive compensation for inclusion in the Company's proxy statement that complies with the rules and regulations of the SEC and any other applicable rules and regulations.
- The Compensation Committee shall provide recommendations to the Board on compensation-related proposals to be considered at the Company's annual meeting, including the frequency of advisory votes on executive compensation.
- The Compensation Committee shall review and reassess the adequacy of this Charter annually and recommend any proposed changes to the Board for approval.
- The Compensation Committee shall annually review its own performance.
- The Compensation Committee shall review the performance of the Company's Chief Executive Officer at least annually and report to the Board its findings.
- Periodically review with the Chief Executive Officer of the Company the plans for succession to the offices of the Company's Chief Executive Officer and other key executive officers and make recommendations to the Board with respect to the selection of appropriate individuals to succeed to these positions;

MEETINGS:

The Compensation Committee will meet at least four times each year. The Compensation Committee may establish its own schedule, which it will provide to the Board in advance. The presence in person or by telephone of a majority of the Compensation Committee's members shall constitute a quorum for any meeting of the Compensation Committee. All actions of the Compensation Committee will require (i) the vote of a majority of the members present at a meeting of the Compensation Committee at which a quorum is present or (ii) a unanimous written consent of the members of the Compensation Committee then serving.

MINUTES:

The Compensation Committee will maintain written minutes of its meetings, which minutes will be filed with the minutes of the meetings of the Board.

REPORTS:

In addition to preparing the report in the Company's proxy statement in accordance with the rules and regulations of the SEC, the Compensation Chairman of the Compensation Committee will summarize its examinations and recommendations to the Board as may be appropriate, consistent with the Compensation Committee's charter.

COMPENSATION:

Members of the Compensation Committee shall receive such fees, if any, for their service as Compensation Committee members as may be determined by the Board in its sole discretion. Such fees may include retainers and per meeting fees. Fees may be paid in such form of consideration as is determined by the Board.

Members of the Compensation Committee may not receive any compensation from the Company except the fees that they receive for service as a member of the Board or any committee thereof.