# UNITED STATES
# SECURITIES AND EXCHANGE COMMISSION
**WASHINGTON, DC 20549**

## SCHEDULE 14A
**(Rule 14a-101)**

**INFORMATION REQUIRED IN PROXY STATEMENT**
**SCHEDULE 14A INFORMATION**

**Proxy Statement Pursuant to Section 14(a) of the**
**Securities Exchange Act of 1934**

Filed by the Registrant ☒ Filed by a Party other than the Registrant ☐

Check the appropriate box:

☐ Preliminary Proxy Statement

☐ **Confidential, For Use of the Commission Only (as permitted by Rule 14a-6(e)(2))**

☒ Definitive Proxy Statement

☐ Definitive Additional Materials

☐ Soliciting Material Pursuant to § 240.14a-12

# LUNA INNOVATIONS INCORPORATED
**(Name of Registrant as Specified in its Charter)**

**(Name of Person(s) Filing Proxy Statement, if Other Than the Registrant)**

Payment of Filing Fee (Check the appropriate box):

☒ No fee required.
☐ Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11.
(1) Title of each class of securities to which transaction applies:

(2) Aggregate number of securities to which transaction applies:

(3) Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (set forth the amount on which the filing fee is calculated and state how it was determined):

(4) Proposed maximum aggregate value of transaction:

(5) Total fee paid:

☐ Fee paid previously with preliminary materials.

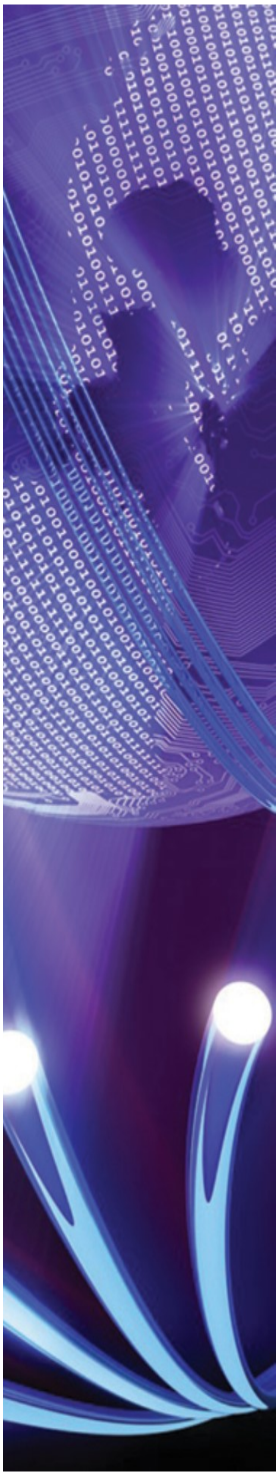
☐ Check box if any part of the fee is offset as provided by Exchange Act Rule 0-11(a)(2) and identify the filing for which the offsetting fee was paid previously. Identify the previous filing by registration statement number, or the form or schedule and the date of its filing.

(1) Amount Previously Paid:

(2) Form, Schedule or Registration Statement No.:

(3) Filing Party:

(4) Date Filed:



# NOTICE OF 2021 ANNUAL MEETING OF STOCKHOLDERS AND PROXY STATEMENT

**To be held on May 11, 2021**

# Notice of Annual Meeting of Stockholders

LUNA

301 1st Street SW, Suite 200 • Roanoke, Virginia 24011

| | |
|---|---|
| **Date**<br>Tuesday, May 11, 2021<br>**Time**<br>12:00 p.m. EDT | **Items of Business**<br>1. To elect the board's three nominees named herein to serve as Class III members of the Company's board of directors to hold office until the 2024 annual meeting of stockholders.<br>2. To approve, on an advisory basis, the compensation of the Company's named executive officers, as disclosed in this proxy statement.<br>3. To ratify the appointment, by the Audit Committee of the Company's board of directors, of Grant Thornton LLP as the Company's independent registered public accounting firm for the fiscal year ending December 31, 2021.<br>4. To transact any other business that is properly brought before the meeting or any adjournment or postponement thereof. |

The Annual Meeting will be held in a virtual-only meeting format, via live video webcast that will provide stockholders with the ability to participate in the Annual Meeting, vote their shares and ask questions. In order to attend the Annual Meeting, you must register at https://www.proxydocs.com/LUNA. Upon completing your registration, you will receive further instructions via email, including a unique link that will allow you access to the Annual Meeting and to vote and submit questions during the Annual Meeting. Please refer to the attached proxy statement, which forms a part of this Notice and is incorporated herein by reference, for further information with respect to the business to be transacted at the annual meeting.

Please refer to the attached proxy statement, which forms a part of this Notice and is incorporated herein by reference, for further information with respect to the business to be transacted at the annual meeting.

Stockholders of record at the close of business on March 26, 2021 (the "Record Date") are entitled to notice of, and to vote at, the annual meeting or any adjournment or postponement thereof. The presence, online or by proxy, of shares of the Company's common stock representing a majority of shares of the Company's common stock issued and outstanding on the Record Date will be required to establish a quorum at the annual meeting.

Your vote is important. Please sign, date and return the enclosed proxy card as soon as possible, or vote by telephone or on the Internet as instructed in these materials, to make sure that your shares are represented at the annual meeting. If you are a stockholder of record of the Company's common stock, you may cast your vote by proxy or online at the virtual annual meeting. If your shares are held of record by a brokerage firm, bank or other nominee, you must obtain a proxy issued in your name from that record holder and should instruct the record holder as to how to vote your shares.

By Order of the Board of Directors,

/s/ Scott A. Graeff

Scott A. Graeff
*President, Chief Executive Officer, Treasurer and Secretary*

Roanoke, Virginia
April 09, 2021

**You are cordially invited to attend the annual meeting. Whether or not you plan to attend the virtual annual meeting, please complete, sign, date and return the accompanying proxy card in the enclosed envelope, or vote by telephone or on the Internet as instructed in these materials, as promptly as possible in order to ensure your representation at the meeting. Even if you have voted by proxy, you may still vote online if you attend the virtual annual meeting.**

**Important Notice Regarding the Availability of Proxy Materials for the Meeting of Stockholders to be held on May 11, 2021:**
**The Proxy Statement and Annual Report to Stockholders are available at** https://www.proxydocs.com/LUNA**.**

# Table of Contents

# LUNA INNOVATIONS INCORPORATED

**PROXY STATEMENT**
**FOR**
**ANNUAL MEETING OF STOCKHOLDERS**
**May 11, 2021**

## INFORMATION CONCERNING SOLICITATION AND VOTING

### General

This proxy statement is furnished to the stockholders of Luna Innovations Incorporated (the “Company,” “we,” “us,” or “our”) in connection with the solicitation of proxies for use at our annual meeting of stockholders to be held on May 11, 2021 at 12:00 p.m. EDT for the purposes set forth in the accompanying “Notice of Annual Meeting of Stockholders.” The annual meeting will be a virtual stockholder meeting through which you can listen to the meeting, submit questions and vote online. To register, visit https://www.proxydocs.com/LUNA and enter your control number which is included in the proxy materials mailed to you. Upon completing your registration, you will receive further instructions via email, including a unique link that will allow you to access the Annual Meeting. On the day of the meeting, we recommend that you log in a few minutes before the annual meeting to ensure you are logged in when the meeting starts. Online check-in will begin at 11:45 a.m. EDT. Information on how to vote online during the annual meeting is discussed below.

We have decided to hold a virtual meeting due to developments related to COVID-19. We also believe holding a virtual meeting improves stockholder access, encourages greater global participation, lowers costs compared to an in-person event, and aligns with our broader sustainability goals. Stockholders attending the virtual meeting will be afforded the same rights and opportunities to participate as they would at an in-person meeting.
A copy of our Annual Report to Stockholders, which includes our annual report on Form 10-K for the year ended December 31, 2020 filed with the Securities and Exchange Commission, together with this proxy statement and accompanying proxy card, is expected to be mailed on or about April 13, 2021 to our stockholders of record as of the close of business on the Record Date. Those materials are also available at https://www.proxydocs.com/LUNA.

This solicitation is made on behalf of our board of directors, and we will pay the costs of solicitation. We will reimburse banks, brokerage firms and other custodians, nominees and fiduciaries for reasonable expenses incurred by them in sending our proxy material to our stockholders. Our principal executive offices are located at 301 1st Street SW, Suite 200, Roanoke, Virginia 24011, and our telephone number is (540) 769-8400.

### Asking Questions and Technical Matters Related to our Virtual Annual Meeting

Only stockholders of record as of the record date for the annual meeting and their proxy holders may submit questions or comments.

If you would like to submit a question, you may do so by joining the virtual annual meeting and typing your question in the box in the annual meeting portal.

We ask that you limit your remarks to one brief question or comment that is relevant to the annual meeting or our business and that remarks are respectful of your fellow stockholders and meeting participants. Questions may be grouped by topic by our management with a representative question read aloud and answered. In addition, questions may be ruled as out of order if they are, among other things, irrelevant to our business, related to pending or threatened litigation, disorderly, repetitious of statements already made, or in furtherance of the speaker's own personal, political or business interests. Questions will be addressed in the Q&A portion of the annual meeting.

If you encounter any difficulties accessing the virtual annual meeting during the check-in or meeting time, please call the technical support number that will be posted on the Virtual Stockholder Meeting log in page. Technical support will be available starting at 11:00 a.m. EDT on May 11, 2021.

## Shares Entitled to Vote and Quorum Requirement

Our outstanding common stock constitutes the only class of securities entitled to vote at the annual meeting. Stockholders of record of our common stock at the close of business on the Record Date are entitled to notice of, and to vote at, our 2021 annual meeting of stockholders. As of the close of business on March 26, 2021, 31,397,642 shares of our common stock were outstanding; therefore, the presence at the meeting, online or by proxy, of at least 15,698,822 shares of common stock will constitute a quorum. Each share of common stock owned as of the Record Date is entitled to one vote. If there is no quorum, holders of a majority of shares present at the meeting online or represented by proxy may adjourn the meeting to another date.

## Voting Procedures

The procedures for voting differ depending on whether you are a stockholder of record (that is, if your shares are registered directly in your own name with the Company's transfer agent) or you hold your shares in "street name" (that is, your shares are held in an account at a brokerage, bank, dealer or other similar organization rather than in your own name, in which case you are considered to be the "beneficial owner" of those shares).

## Stockholders of Record

Stockholders of record may vote by (i) completing and returning the enclosed proxy card prior to the meeting, (ii) voting over the telephone, (iii) voting on the Internet, or (iv) voting online during the meeting.

A proxy card is enclosed for your use. We ask that you carefully review, complete, sign, date and return the proxy card in the accompanying envelope, which is postage prepaid if mailed in the United States.

In addition to submitting your vote by mail, you may vote by telephone or over the Internet. In order to vote by telephone or over the Internet, please have the enclosed proxy card available for reference, and call the number or visit the website listed on the proxy card and follow the instructions. You will be asked to provide the control number from the enclosed proxy card. The telephone and internet voting procedures are designed to authenticate stockholders' identities, to allow stockholders to give their voting instructions and to confirm that stockholders' instructions have been recorded properly.

You may attend the annual meeting via the Internet and vote during the annual meeting. Registration is required by visiting www.proxydocs.com/LUNA and entering your control number which is included in the proxy materials mailed to you. Please have your notice in hand when you access the website and then follow the instructions. The annual meeting can be accessed by following the directions received in subsequent emails you receive.

If you are a stockholder of record and do not vote by completing your proxy card, by telephone, by mail, over the Internet or online during the annual meeting, your shares will not be voted.

## Beneficial Owners

If your shares are held in street name, the organization holding your account is considered to be the stockholder of record for purposes of voting at the annual meeting. If you are a beneficial owner of shares registered in the name of your broker, bank, or other agent, you should have received a voting instruction form with these proxy materials from that organization rather than from the Company. As a beneficial owner, you still have the right to direct your broker or other agent regarding how to vote the shares in your account. Simply complete and mail the voting instruction form to ensure that your vote is counted. Alternatively, you may vote by telephone or over the Internet as instructed by your broker or bank.

You are also invited to attend the virtual annual meeting and are required to register in advance at www.proxydocs.com/LUNA. However, since you are not the stockholder of record, you may not vote your shares online at the meeting unless you request and obtain a valid proxy from your broker or other agent. Follow the instructions from your broker or bank included with these proxy materials or contact your broker or bank to request a proxy form.

If you are a beneficial owner and do not instruct your broker, bank, or other agent how to vote your shares, the question of whether your broker or nominee will still be able to vote your shares depends on whether the New York Stock Exchange ("NYSE"), deems the particular proposal to be a “routine” matter. Even though our common stock is listed on the Nasdaq Capital Market, the NYSE rules apply to brokers who are NYSE members voting on matters being submitted to stockholders at our annual meeting. Brokers and nominees can use their discretion to vote “uninstructed” shares with respect to matters that are considered to be “routine,” but not with respect to “non-routine” matters. Under the rules and interpretations of the NYSE, “non-routine” matters are matters that may substantially affect the rights or privileges of stockholders, such as mergers, stockholder proposals, elections of directors (even if not contested), executive compensation and certain corporate governance proposals, even if supported by management. Accordingly, your broker or nominee may not vote your shares on Proposals No. 1 or No. 2 without your instructions but may vote your shares on Proposal No. 3.

**We provide Internet proxy voting to allow you to vote your shares online, with procedures designed to ensure the authenticity and correctness of your proxy vote instructions. There is no cost associated with casting your vote online. However, please be aware that you must bear any costs associated with your Internet access, such as usage charges from Internet access providers and telephone companies.**

The persons named as attorneys-in-fact to vote the proxies, Scott A. Graeff and Eugene Nestro, were selected by the board of directors and are executive officers of the Company. All properly executed proxies returned in time to be counted at the annual meeting will be voted.

If you return a signed and dated proxy card without marking voting selections, then unless there are different instructions on the proxy card, your shares will be voted at the meeting ***FOR*** the election of the three director nominees listed in Proposal No. 1, ***FOR*** the advisory approval of executive compensation in Proposal No. 2, and ***FOR*** the ratification of the appointment of our independent registered public accounting firm in Proposal No. 3. With respect to any other business that may properly come before the annual meeting and be submitted to a vote of stockholders, proxies will be voted in accordance with the best judgment of the designated proxy holders.

All votes cast at the annual meeting will be tabulated by the person or persons appointed by our board of directors to act as inspectors of election for the meeting. The inspectors of election will separately count, for Proposal No. 1, the election of directors, votes “For,” “Withhold” and “broker non-votes,” and with respect to other proposals, votes “For” and “Against,” abstentions and “broker non-votes.” Broker non-votes occur when a beneficial owner of shares held in “street name” does not give instructions to the broker or nominee holding the shares as to how to vote on matters deemed “non-routine,” in which case the broker or nominee cannot vote the shares, as described above.

Abstentions and broker non-votes will be counted as shares that are present and entitled to vote for purposes of determining the presence of a quorum. Abstentions will be counted towards the vote total for each of Proposals No. 2, and 3 and will have the same effect as “Against” votes. Broker non-votes have no effect and are not included in the tabulation of voting results on any proposals.

The director nominees listed in Proposal No. 1 will be elected by a plurality of the votes of the shares present or represented by proxy at the meeting and entitled to vote on the election of directors. The three nominees receiving the most “For” votes will be elected.

Proposal No. 2, advisory approval of the compensation of the Company’s named executive officers, will be considered to be approved if it receives “For” votes from the holders of a majority of shares either present or represented by proxy at the meeting and entitled to vote.

The appointment of our independent registered public accounting firm listed in Proposal No. 3 will be ratified if a majority of shares present or represented by proxy at the meeting and entitled to vote thereon vote “For” such proposal.

**Your vote is important. Accordingly, please carefully review, complete, sign, date and return the enclosed proxy card, or vote over the telephone or Internet, whether or not you plan to attend the annual meeting.**

If you receive more than one set of proxy materials, your shares may be registered in more than one name or in different accounts. Please follow the voting instructions on the proxy cards in the proxy materials to ensure that all of your shares are voted.

## Changing Your Vote

If you are a stockholder of record, you may revoke your proxy at any time before it is actually voted at the meeting either by signing and submitting a new proxy card with a later date or by attending the annual meeting and voting online. You may also grant a subsequent proxy by telephone or over the Internet. Your most recently submitted proxy card or telephone or Internet proxy is the one that will be counted. Merely attending the meeting, however, will not revoke your submitted proxy unless you vote at the meeting, which will have the effect of revoking your proxy. You may also send a timely written notice that you are revoking your proxy to our Corporate Secretary at 301 1st Street SW, Suite 200, Roanoke, Virginia 24011.

If you hold shares through a bank or brokerage firm, you should have received a proxy card and voting instructions with these proxy materials, and you must contact the bank or brokerage firm directly to revoke any prior voting instructions.

## Results of Voting

Preliminary voting results will be announced at the annual meeting. In addition, final voting results will be published in a current report on Form 8-K that we expect to file within four business days after the annual meeting. If final voting results are not available to us in time to file a Form 8-K within four business days after the annual meeting, we intend to file a Form 8-K to publish preliminary results and, within four business days after the final results are known to us, file an additional Form 8-K to publish the final results.

# Proposal No. 1
# Election of Directors

## General Information

Our board of directors is divided into three classes (Class I, Class II and Class III) with staggered three-year terms. Each class consists, as nearly as possible, of one-third of the total number of directors. Vacancies on the board of directors may be filled only by persons elected by a majority of the remaining directors. A director elected by the board of directors to fill a vacancy in a class, including vacancies created by an increase in the number of directors, shall serve for the remainder of the full term of that class and until the director’s successor is duly elected and qualified.

The board of directors currently has seven members, including three Class III directors, Scott A. Graeff, Donald Pastor and N. Leigh Anderson whose terms expire at the 2021 annual meeting. However, Mr. Pastor is not standing for re-election this year and will retire from the Board at the conclusion of his term following the Annual Meeting of Stockholders. Mr. Graeff and Dr. Anderson were both previously elected by the stockholders. Our Nominating and Governance Committee recommended Ms. Pamela Coe to our board, following her identification by a non-management member of our board of directors, after considering a number of qualified candidates. The terms of the Class I and Class II directors will expire at the 2022 and 2023 annual meetings of the stockholders, respectively.

Our board of directors has nominated Mr. Graeff, Dr. Anderson and Ms. Coe to serve as Class III directors for a three-year term expiring at the 2024 annual meeting of stockholders and until their successors have been duly elected and qualified, or, if sooner, until the director’s death, resignation or removal. Dr. Anderson is currently a Class III director, a member of the Compensation Committee and a member of the Audit Committee. Mr. Graeff is currently a Class III director and our President and Chief Executive Officer. If elected, we expect that Ms. Coe will serve as a member of the Audit Committee and Nominating and Governance Committee.

Directors are elected by a plurality of the votes of shares present online at the meeting or represented by proxy and entitled to vote on the election of directors. Proxies cannot be voted for more than three nominees. The three nominees receiving the highest number of “For” votes will be elected. Only votes “For” and “Withheld” will affect the outcome. Broker non-votes will have no effect on this proposal. Shares represented by executed proxies will be voted “For” the election of the three nominees recommended by the board of directors unless the proxy is marked in such a manner so as to withhold authority to vote. If any of the nominees is unable or unexpectedly declines to serve as director, the board of directors may designate another nominee to fill the vacancy, and the proxy will be voted for that nominee. Each person nominated for election has agreed to serve if elected, and we have no reason to believe that either nominee will be unable to serve.

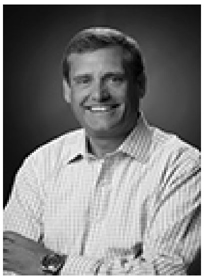
The names of the three nominees for director and of our other directors whose terms will continue after the annual meeting, their ages as of March 26, 2021, and certain other information about them are set forth below. There are no family relationships among our directors or executive officers.

| Names of Nominees | Age | Position(s) | Director Since |
|---|---|---|---|
| **Scott A. Graeff** | 54 | Director | 2017 |
| **N. Leigh Anderson** | 71 | Director | 2017 |
| **Pamela Coe** | 61 | Nominee | N/A |

| Names of the Incumbent Directors with Terms Continuing After 2021 Annual Meeting | Age | Position(s) | Director Since |
|---|---|---|---|
| **Richard W. Roedel** | 71 | Chairman of the Board of Directors | 2005 |
| **Gary Spiegel** | 70 | Director | 2015 |
| **Warren B. Phelps, III** | 74 | Director | 2017 |
| **Mary Beth Vitale** | 67 | Director | 2019 |

Our Nominating and Governance Committee seeks to assemble a board of directors that, as a whole, possesses the appropriate balance of professional and industry knowledge, financial expertise and high-level management experience necessary to oversee and direct our business. To that end, the committee has identified and evaluated nominees in the broader context of the board's overall composition, with the goal of recruiting members who complement and strengthen the skills of other members and who also exhibit integrity, collegiality, sound business judgment and other qualities that the committee views as critical to effective functioning of the board. The biographies below include information, as of the date of this proxy statement, relating to the specific and particular experience, qualifications, attributes or skills of each director or nominee that led the committee to believe that the nominee or director should serve or continue to serve, as applicable, on the board. However, each of the members of the committee may have a variety of reasons why he or she believes a particular person would be an appropriate nominee for the board, and these views may differ from the views of other members.

### Class III Director Nominees for Election for a Three-Year Term Expiring at the 2024 Annual Meeting of Stockholders



## Scott A. Graeff

**Age: 54**
**Director Since: 2017**

**Biographical Information**

Scott A. Graeff was appointed as our President, Chief Executive Officer and a member of the Board of Directors in October 2017. Mr. Graeff has served as our Treasurer since 2005, and our Secretary since May 2015. Mr. Graeff previously served as our Chief Strategy Officer from 2012 to October 2017 and as our Chief Commercialization Officer from 2010 to 2012. He also served as our interim Chief Financial Officer during the period from 2010 to 2011. He previously served as our Chief Operating Officer from 2009 to 2010, as our Chief Commercialization Officer from 2006 to 2009, and as our Chief Financial Officer and Executive Vice President, Corporate Development, from 2005 to 2006. Mr. Graeff was also a member of our board of directors from 2005 until 2006. From 1999 to 2001, Mr. Graeff served as Chief Financial Officer of Liquidity Link, a software development company. From 2001 to 2002, Mr. Graeff served as President and Chief Financial Officer of Autumn Investments. From 2002 until 2005, Mr. Graeff served as a Managing Director for Gryphon Capital Partners, a venture capital investment group. From 2003 until 2005, Mr. Graeff also served as the Acting Chief Financial Officer of Luna Technologies, Inc., which we acquired in 2005. Mr. Graeff holds a B.S. degree in commerce from the University of Virginia.

**Qualifications**

The Nominating and Governance Committee believes that Mr. Graeff's position as our President and Chief Executive Officer and his prior management experience will enable him to continue to make valuable contributions to our board of directors.

## N. Leigh Anderson

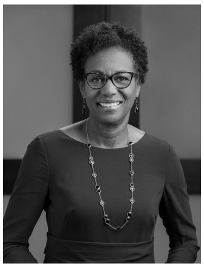
**Age: 71**
**Director Since: 2017**
**Board Committees:**
Compensation
Audit

**Biographical Information**

N. Leigh Anderson has served as a member of our board of directors since May 2017. Dr. Anderson has served as Chief Executive Officer of SISCAPA Assay Technologies, a developer of diagnostic testing technology, of which he was a co-founder, since 2011, and has served as the Chief Executive Officer of the Plasma Proteome Institute, a non-profit biomedical scientific research institute in Washington, D.C., of which he is also a founder, since 2002. From 2001 to 2002, Dr. Anderson served as the Chief Scientific Officer and a member of the board of directors of Large Scale Biology Corporation, a public biotechnology company. Dr. Anderson also served as a member of the board of directors and a member of the audit committee of Dade Behring Holdings, Inc., a publicly held medical diagnostics equipment manufacturer, from 2002 until its acquisition by Siemens AG in 2007. Dr. Anderson earned a B.A. degree in physics from Yale University and a Ph.D. in molecular biology from Cambridge University.

**Qualifications**

The Nominating and Governance Committee believes that Dr. Anderson's scientific background in critical areas and pertinent executive and director experience in the biotechnology and biomedical industries enable him to bring significant value to the board of directors.



## Pamela Coe

**Age: 61**
**Director Nominee**

**Biographical Information**

Pamela Coe is recommended by our Nominating and Governance Committee to serve on our board of directors. Ms. Coe served as Senior Vice President, Legal & Secretary for Liberty Media Corporation and its sister companies from 2007 until her retirement in January 2020. Previously she was Senior Counsel - Finance for Tele-Communications, Inc. (TCI), which merged with AT&T from 1993 to 2000. Prior to her tenure at TCI, Ms. Coe was a Partner in a major San Francisco based law firm Pettit and Martin from 1985 to 1992. During her tenure, Ms. Coe specialized in corporate, securities and banking law. From December 2012 to July 2019, Ms. Coe served as a member of the Board of Directors of Expedia Group, Inc. and served on Expedia's Compensation Committee. She holds a Bachelor of Science degree in Finance from Arizona State University and a Juris Doctor from the University of California, Los Angeles – School of Law.

**Qualifications**

The Nominating and Governance Committee believes that Ms. Coe's board experience in a range of industries and her capital markets experience as an attorney will bring significant value to the board of directors.

**THE BOARD OF DIRECTORS RECOMMENDS YOU VOTE "FOR" EACH NAMED NOMINEE.**

### Class I Directors Continuing in Office Until the 2022 Annual Meeting of Stockholders

## RICHARD W. ROEDEL

**Age: 71**
**Director Since: 2005**
**Board Committees**
Nominating & Governance
Compensation

**Biographical Information**

Richard W. Roedel has served as a member of our board of directors since 2005 and as Chairman of our board of directors since 2010. Mr. Roedel also serves as a director of publicly held companies, Brightview Holdings, Inc., Six Flags Entertainment Corporation, LSB Industries, Inc., and Clarivate Plc. Mr. Roedel serves as a Chairman of LSB and until February 2021, Six Flags. Mr. Roedel will not be seeking re-election to the board of directors of Six Flags when his current term expires at its annual meeting of stockholders in May 2021. Mr. Roedel has previously served on boards of IHS Markit Ltd, Lorillard, Inc., Sealy Corporation, BrightPoint, Inc., Broadview Holdings, Inc., Dade Behring Holdings, Inc., and TakeTwo Interactive Software, Inc. Mr. Roedel is a member of the National Association of Corporate Directors (NACD) Risk Oversight Advisory Council. Mr. Roedel served a three-year term, ending in 2017, on the Standing Advisory Group of the Public Company Accounting Oversight Board (PCAOB). From 1971 through 2000, he was employed by BDO Seidman LLP, becoming an audit partner in 1980, later being promoted in 1990 to managing partner in Chicago and then managing partner in New York in 1994, and finally, in 1999, to chairman and chief executive officer. Mr. Roedel holds a B.S. degree in accounting from The Ohio State University and is a Certified Public Accountant.

**Qualifications**

The Nominating and Governance Committee believes that Mr. Roedel’s public accounting experience and his status as an authority on issues facing audit committees, his extensive service on public company boards and committees and his deep familiarity with our company make him a valuable member of the board of directors.

## GARY SPIEGEL

**Age: 70**
**Director Since: 2015**
**Board Committees:**
Compensation
Nominating & Governance

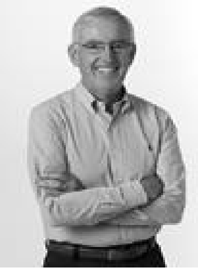
**Biographical Information**

Gary Spiegel has served as a member of our board of directors since May 2015. He has more than 40 years of experience in the photonics industry. He held various positions, including vice president, sales and marketing, senior vice president, sales and business development, and senior vice president, business development at Newport Corporation from 2002 to 2013. Mr. Spiegel retired from Newport Corporation in 2014 and is currently a business development consultant. He has a bachelor’s degree in Industrial Marketing from Baruch College of the City University of New York and executive education course on Mergers and Acquisitions at UCLA Anderson school. He currently sits on the board of directors of Telescent Inc., an early stage technology company focused on software defined network cross connect technology. From 2016-2019, he served on the board of Alio Industries, a small technology company serving a variety of high technology markets. He served as Secretary and Treasurer of the SPIE from 2015 through 2018, where he chaired the Financial Advisory Committee, as well as the Compensation Committee. He is the chairman of the SPIE Audit committee, an honored Fellow of the SPIE and the recipient of its 2020 Directors Award.

**Qualifications**

The Nominating and Governance Committee believes that Mr. Spiegel's extensive experience in the photonics industry enables him to continue to make valuable contributions to the board of directors.

### Class II Director Continuing in Office Until the 2023 Annual Meeting of Stockholders



## Warren B. Phelps, III

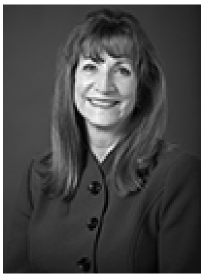
**Age: 74**
**Director Since: 2017**
**Board Committees:**
Audit
Compensation

**Biographical Information**

Warren B. Phelps, III has served as a member of our board of directors since May 2017. He has served as Executive Chairman of Empower RF Systems, a developer and manufacturer of high power RF amplifiers for the defense and commercial markets, since 2013. From 2009 until 2012, Mr. Phelps served as the Chairman and Chief Executive Officer of Empower. Since 2007, Mr. Phelps has served as a director of CarParts.com and its predecessor US AutoParts, a public company. From 2007 – 2017 he was Chair of the Audit Committee and a member of the Nominating and Governance Committee. Currently Mr. Phelps serves as CarParts.com's Board Chair, chair of the Compensation Committee and chair of the Nominating and Governance Committee. From 2000 until his retirement in 2006, Mr. Phelps served in several executive positions for Spirent plc, a leading communications technology company, most recently as President of the Performance Analysis Broadband division. From 1996 to 2000, Mr. Phelps was at Netcom Systems, a provider of network test and measurement equipment, most recently as President and Chief Executive Officer. Prior to that, Mr. Phelps held executive positions, including Chairman and Chief Executive Officer, at MICOM Communications and in various financial management roles at Burroughs/Unisys Corporation. Mr. Phelps holds a B.S. degree in mathematics from St. Lawrence University in Canton, New York and an M.B.A. from The University of Rochester in Rochester, New York.

**Qualifications**

The Nominating and Governance Committee believes that Mr. Phelps's prior experience as a Chief Executive Officer and with the defense and commercial industries enables him to make valuable contributions to the board of directors.



## Mary Beth Vitale

**Age: 67**
**Director Since: 2019**
**Board Committees:**
Nominating & Governance
Audit

**Biographical Information**

Mary Beth Vitale has served as a member of our board of directors since September 2019. She currently serves as chair of Pareteum, Inc., a publicly traded company and GEHA, a VEBA health insurer where she chairs the Risk and Technology Committee. Ms. Vitale also served on the board of directors of CoBiz Financial, a publicly traded national commercial bank, from 2005 to 2018. Ms. Vitale co-founded Pellera, LLC., a consulting firm specializing in cybersecurity and board governance to boards of directors, in 2001. She joined the National Board of Women Corporate Directors in October 2020. Previously, she had served as President, CEO and Chairman of the Board of WestwindMedia.com, President and Chief Operating Officer of RMI.NET, and President-Western States and corporate officer for AT&T. Ms. Vitale is past Chairman of the Board of Directors of the National Association of Corporate Directors (NACD) local chapter and has also been recognized as an NACD Board Leadership Fellow and SEC qualified financial expert. She currently is a faculty member for the NACD in board governance and cyber security training. In 2020, she was selected as one of the top 100 directors by the NACD. Ms. Vitale also earned the CERT Certificate in Cybersecurity Oversight from the Software Engineering Institute, which demonstrates her commitment to advanced cybersecurity literacy to the Company, investors and regulators. She received her bachelor's degree from Hillsdale College; a master's degree from the University of Colorado; and an Advanced Management certificate from the Wharton School.

**Qualifications**

The Nominating and Governance Committee believes that Ms. Vitale's financial and cybersecurity expertise enables her to make valuable contributions to the board of directors.

## Board Tenure


## Age Diversity


## Board Skills and Qualifications

| | | | |
|---|---|---|---|
| Executive Leadership | Accounting and Finance | Public Company Board | Local and Community Leadership |
| Technology | Defense and Commercial Industries | Administrative and Operational | Biotechnology and Biomedical Industries |

## Independence of the Board of Directors

As required under the Nasdaq Stock Market (“Nasdaq”) listing standards, a majority of the members of a listed company’s board of directors must qualify as “independent,” as affirmatively determined by the board of directors. Our board of directors consults with legal counsel to ensure that the board’s determinations are consistent with relevant securities and other laws and regulations regarding the definition of “independent,” including those set forth in pertinent Nasdaq listing standards, as in effect from time to time.

Consistent with these considerations, after review of all relevant identified transactions or relationships between each director and director nominee, or any of his or her family members, and the Company, its senior management and its independent auditors, our board of directors has affirmatively determined that the following six current directors and one director nominee are independent within the meaning of the applicable Nasdaq listing standards: Mr. Spiegel, Mr. Roedel, Mr. Pastor, Mr. Phelps, Ms. Vitale, Dr. Anderson and Ms. Coe. In addition, after review of all relevant identified transactions and relationships between each person who served as director during 2020, or any of his family members, and the Company, its senior management and its independent auditors, our board of directors has affirmatively determined that John B. Williamson, III and Michael W. Wise, who served on our board of directors until May 2020, were also independent within the meaning of the applicable Nasdaq listing standards. In making these determinations, the board found that none of these current or former directors, or the director nominee, had a material or disqualifying relationship with the Company. Mr. Graeff is not independent, as he is currently employed as our President and Chief Executive Officer.

## Board Leadership Structure

Our board of directors is led by an independent non-executive Chairman, Mr. Roedel, who has authority, among other things, to call and preside over board meetings, including meetings of the independent directors, to set meeting agendas and to determine materials to be distributed to the board. Accordingly, the non-executive Chairman has substantial ability to shape the work of the board. We believe that separation of the positions of Chairman and Chief Executive Officer reinforces the independence of the board in its oversight of our business and affairs. In addition, we believe that having an independent non-executive Chairman creates an environment that is more conducive to objective evaluation and oversight of management’s performance, increasing management accountability and improving the ability of the board to monitor whether management’s actions are in the best interests of the Company and our stockholders. As a result, we believe that having an independent non-executive Chairman can enhance the effectiveness of the board as a whole.

## Role of the Board in Risk Oversight

One of the board’s key functions is informed oversight of our risk management process. In February 2021, the board established a standing Risk Committee, to address risks including, but not limited to, operational, financial, cybersecurity, legal and regulatory, strategic and reputational risks, including with respect to the COVID-19 outbreak. Additionally, our Audit Committee has the responsibility to consider and discuss our major financial risk exposures and the steps our management has taken to monitor and control these exposures, including guidelines and policies to govern the process by which risk assessment and management is undertaken. The Audit Committee also monitors compliance with legal and regulatory requirements. Our Nominating and Governance Committee monitors the effectiveness of our corporate governance policies, including whether they are successful in preventing illegal or improper liability-creating conduct. Our Compensation Committee assesses and monitors whether any of our compensation policies and programs have the potential to encourage excessive risk-taking.

## Information Regarding Certain Committees of the Board of Directors

Our board of directors has established an Audit Committee, a Compensation Committee and a Nominating and Governance Committee. Beginning in 2021, our board of directors also established a Risk Committee. Our board of directors and its committees meet regularly throughout the year and also hold special meetings and act by written consent from time to time as appropriate. Our board of directors has delegated various responsibilities and authority to these committees as generally described below. The committees regularly report on their activities and actions to the full board of directors. Each of these committees of our board of directors has a written charter approved by our board of directors.

The following table provides the membership information for 2020 for each of the Audit, Compensation and Nominating and Governance committees:

| Name | Audit | Compensation | Nominating and Governance |
|---|---|---|---|
| Richard W. Roedel | | X | X* |
| Donald Pastor | | X* | X |
| John B. Williamson, III | X(1) | | X(1) |
| Warren B. Phelps, III | X* | X | |
| Gary Spiegel | X | X | |
| Michael W. Wise | X(2) | | X(2) |
| N. Leigh Anderson | X | | X |
| Mary Beth Vitale | X | | X |

* Committee Chairman

(1) Mr. Williamson served on the Audit and Nominating and Governance Committees until May 2020.

(2) Mr. Wise served on the Audit and Nominating and Governance Committees until May 2020.

In January 2021, the committee memberships were updated, as shown in the following table.

| | Audit | Compensation | Nominating and Governance |
|---|---|---|---|
| Richard W. Roedel | | X | X |
| Donald Pastor | X | | X |
| Warren B. Phelps, III | X* | X | |
| Gary Spiegel | | X* | X |
| N. Leigh Anderson | X | X | |
| Mary Beth Vitale | X | | X* |

## Audit Committee

The Audit Committee of our board of directors recommends the appointment of our independent auditors, reviews our internal accounting procedures and financial statements, and consults with and reviews the services provided by our independent auditors, including the results and scope of their audit.

The Audit Committee is currently composed of Messrs. Phelps and Pastor, Dr. Anderson and Ms. Vitale. Mr. Phelps serves as the chairman of the committee. The Audit Committee met six times, including telephonic meetings, during 2020. If elected, we expect that Ms. Coe will replace Mr. Pastor on the Audit Committee.

The board of directors reviews the Nasdaq listing standards definition of independence for audit committee members on an annual basis and has determined that each member of the Audit Committee is independent within the meaning of the requirements of the Sarbanes-Oxley Act of 2002 and applicable SEC and Nasdaq rules, including Rule 5605(c)(2)(A)(i) and (ii) of the Nasdaq listing rules. The board of directors has also determined that each of Mr. Phelps and Ms. Vitale qualifies as an audit committee financial expert, as currently defined under applicable SEC rules. In reaching this determination, the board of directors made a qualitative assessment of their level of knowledge and experience based on a number of factors, including their formal education and extensive experience at an executive and audit committee level.

The Audit Committee operates under a written charter adopted by the board of directors, which is available in the “Investor Relations” section of our website at www.lunainc.com.

## Compensation Committee

The Compensation Committee of our board of directors reviews and implements changes to the compensation and benefits for our executive officers, administers our stock plans, and establishes and reviews general policies relating to compensation and benefits for certain of our officers.

The Compensation Committee is currently composed of Messrs. Phelps, Spiegel and Roedel and Dr. Anderson. Mr. Spiegel serves as the chairman of the committee. The Compensation Committee met four times in 2020.

Each member of the Compensation Committee is independent within the meaning of applicable Nasdaq listing rules.

The Compensation Committee operates under a written charter adopted by the board of directors, which is available in the “Investor Relations” section of our website at www.lunainc.com.

Typically, the Compensation Committee meets at least quarterly and with greater frequency if necessary. The agenda for each meeting is usually developed by the chairman of the Compensation Committee, in consultation with the Chief Executive Officer. The Compensation Committee meets regularly in executive session. However, from time to time, various members of management and other employees as well as outside advisors or consultants may be invited by the Compensation Committee to make presentations, to provide financial or other background information or advice or to otherwise participate in Compensation Committee meetings. The charter of the Compensation Committee grants the Compensation Committee authority to obtain, at the expense of the Company, advice and assistance from internal and external legal, accounting or other advisors. In particular, the Compensation Committee has the sole authority to retain compensation consultants to assist in its evaluation of executive and director compensation, including the authority to approve the consultant’s reasonable fees and other retention terms. As described below in “Executive Compensation,” in 2020, the Compensation Committee engaged an independent third-party compensation consultant, Compensation Strategies, Inc., to conduct a competitive peer group analysis regarding our executive compensation program, the results of which were taken into account in our executive compensation program for 2020.

Historically, the Compensation Committee has made most of the significant adjustments to annual compensation and determined bonus and equity awards, if any, at one or more meetings held during the first or second quarter of the year. However, the Compensation Committee also considers adoption of annual senior management incentive plans, including new performance objectives, matters related to individual compensation, such as compensation for new executive hires, as well as high-level strategic issues, such as the efficacy of the Company’s compensation strategy, potential modifications to that strategy and new trends, plans or approaches to compensation, at various meetings throughout the year. Generally, the Compensation Committee obtains the recommendations and advice of the Chief Executive Officer regarding the form and amount of compensation for executive officers other than himself.

The specific determinations of the Compensation Committee with respect to Executive Compensation for the year ended December 31, 2020 are described in greater detail in the “Executive Compensation” section of this proxy statement.

## Nominating and Governance Committee

The Nominating and Governance Committee of our board of directors is responsible for reviewing the appropriate size, function and needs of the board of directors, establishing criteria for evaluating and selecting new members of the board, identifying and recommending qualified director nominees to the board for approval and monitoring and making recommendations to the board of directors on matters relating to corporate governance. The Nominating and Governance Committee met four times during 2020.

The Nominating and Governance Committee currently consists of Messrs. Roedel, Pastor and Spiegel and Ms. Vitale. Ms. Vitale serves as the chair of the committee. If elected, we expect that Ms. Coe will replace Mr. Pastor on the Nominating and Governance Committee. All members of the Nominating and Governance Committee are independent within the meaning of applicable Nasdaq listing rules.

The Nominating and Governance Committee operates under a written charter adopted by the board of directors, which is available in the “Investor Relations” section of our website at www.lunainc.com.

## Board of Directors and Committee Meeting Attendance

Our board of directors met eight times, including telephonic meetings, during 2020. Each of our directors who served in 2020 attended at least 75% of the aggregate number of meetings held during his or her tenure by the board of directors and by the committees of the board of directors on which he or she served.

Independent members of the board of directors regularly meet in executive session without management present.

## Annual Meeting Attendance

Our policy is to invite and encourage all directors to attend the annual meeting of stockholders, if possible. All of the members of our board of directors who were serving at the time of our 2020 annual meeting of stockholders attended that meeting.

## Director Nomination Process

Candidates for director nominees are reviewed in the context of the current composition of the board of directors, the operating requirements of the Company and the long-term interests of stockholders. Our Nominating and Governance Committee identifies director nominees by first evaluating the current members of the board of directors willing to continue in service. In the case of incumbent directors whose terms of office are set to expire, the Nominating and Governance Committee reviews these directors' overall service to the Company during their terms, including the number of meetings attended, level of participation, quality of performance and any other relationships and transactions that might impair the directors' independence. Current members with skills and experience that are relevant to our business and who are willing to continue in service are considered for nomination.

If any member of the board of directors does not wish to continue in service, or the committee or board of directors decides not to nominate a member for re-election, the committee identifies the desired skills and experience of a new nominee. In the case of new director candidates, the Nominating and Governance Committee also determines whether the nominee is independent for Nasdaq purposes, which determination is based upon applicable Nasdaq listing standards, applicable SEC rules and regulations and the advice of counsel, if necessary. The Nominating and Governance Committee then uses its network of contacts to compile a list of potential candidates. The Nominating and Governance Committee conducts any appropriate and necessary inquiries into the backgrounds and qualifications of possible candidates after considering the function and needs of the board of directors. Current members of the board of directors and senior management are then polled for their recommendations. To date, the Nominating and Governance Committee has not engaged professional search firms or other third parties to identify or evaluate potential nominees, but the committee may do so in the future.

The Nominating and Governance Committee will also consider nominees recommended by stockholders, and any such recommendations should be forwarded to our Corporate Secretary in writing at our executive offices as identified in this proxy statement. Such recommendations should include the following information:

- the name, age, business address and residence address of the proposed candidate;
- the principal occupation or employment of the proposed candidate and the candidate's business experience for at least the previous five years;
- the class and number of shares of our stock which the proposed candidate beneficially owns;
- a description of all arrangements or understandings between the stockholder making the recommendation and each proposed candidate;
- any information reasonably necessary to determine whether the proposed candidate meets SEC and Nasdaq independence standards; and
- any other information relating to such proposed candidate that is required to be disclosed in solicitations of proxies for elections of directors or is otherwise required pursuant to Regulation 14A under the Exchange Act (including without limitation such proposed candidate's written consent to being named in any proxy statement as a nominee and to serve as a director if elected).

Such recommendations should be provided at least 120 days prior to the anniversary date of the mailing of our proxy statement for the previous annual meeting of stockholders. The committee does not intend to alter the manner in which it evaluates candidates, including the criteria set forth below, based on whether or not the candidate was recommended by a stockholder.

The Nominating and Governance Committee evaluates individual director candidates based upon a number of criteria, including:

- a high degree of personal and professional integrity;
- commitment to promoting the long-term interests of our stockholders;
- broad general business experience and acumen, which may include experience in management, finance, marketing and accounting, with particular emphasis on technology companies or policy-making experience in governmental or non-profit institutions;
- adequate time to devote attention to the affairs of the Company;
- an ability to bring balance to our board of directors in light of the Company's current and anticipated needs and in light of the skills and attributes of the other board members; and
- other attributes relevant to satisfying the requirements imposed by the SEC and Nasdaq.

The Nominating and Governance Committee retains the right to modify these qualifications from time to time.

Our Nominating and Governance Committee does not have a formal policy regarding board diversity. Diversity is one of a number of factors, however, that the committee takes into account in identifying nominees, and the Nominating and Governance Committee believes that it is essential that the board members represent diverse viewpoints.

The Board values diversity, in its broadest sense and, in the director identification and nomination process, the Board seeks a breadth of experience from a variety of industries and from professional disciplines, such as finance, professional services and technology, along with a diversity of gender, ethnicity and geographic location. In any searches for director candidates, the Nominating and Governance Committee seeks to include female and minority candidates in the initial list of candidates from which the committee selects prospective director candidates, and requires that any search firm that it may engage to assist with a director search do the same.

The Nominating and Governance Committee will continue to evaluate the size and composition of our Board on an ongoing basis.

## Director Compensation

The following table sets forth certain information concerning cash and non-cash compensation earned by the non-employee members of our board of directors in 2020. The compensation paid to Mr. Graeff, our President and Chief Executive Officer is described below under "Executive Compensation." Mr. Graeff does not receive any additional compensation for his service as a director.

| Name | Fees Earned or Paid in Cash (1)(2)($) | Stock Awards (3)(4)($) | Total ($) |
|---|---|---|---|
| John B. Williamson, III | 16,431 | — | 16,431 |
| Richard W. Roedel | 66,500 | 62,500 | 129,000 |
| Michael W. Wise | 16,431 | — | 16,431 |
| Donald Pastor | 52,500 | 37,500 | 90,000 |
| Gary Spiegel | 45,500 | 37,500 | 83,000 |
| Warren B. Phelps, III | 52,500 | 37,500 | 90,000 |
| N. Leigh Anderson | 45,500 | 37,500 | 83,000 |
| Mary Beth Vitale | 45,500 | 37,500 | 83,000 |

(1) Represents the annual cash retainer for board and, as applicable, committee service for 2020. Mr. Roedel, who served as chairman of the Nominating and Governance Committee during 2020, elected to forego any compensation for serving in such role.

(2) During 2020, our non-employee directors had the option to receive some or all of their cash retainers for board and committee service in stock units pursuant to our non-employee directors' deferred compensation plan. These stock units are convertible into shares of our common stock on a one-for-one basis upon specified events. Mr. Williamson received an aggregate of 1,982 stock units in lieu of his cash payments for his service on the board of directors with an aggregate grant date fair value of $13,542 for the first and second quarters, as well as an aggregate of 422 stock units in lieu of his cash payments for his service as a member of the Audit Committee and a member of the Nominating and Governance Committee for the first and second quarters of 2020 with an aggregate grant date fair value of $2,889. Mr. Phelps received an aggregate of 6,040 stock units in lieu of his cash payments for his service on the board of directors with an aggregate

grant date fair value of $37,500, as well as an aggregate of 2,416 stock units in lieu of his cash payments for his service as the Chairman of our Audit Committee and as a member of the Compensation Committee, with an aggregate grant date fair value of $15,000. Mr. Roedel received an aggregate of 10,067 stock units in lieu of his cash payments for his service as chairman of the board of directors with an aggregate grant date fair value of $62,500, as well as an aggregate of 644 stock units in lieu of his cash payments for his service as a member of our Compensation Committee with an aggregate grant date fair value of $4,000. Ms. Vitale received an aggregate of 6,040 stock units in lieu of cash payments for her service on the board of directors with an aggregate grant date fair value of $37,500, as well as an aggregate of 1,288 stock units in lieu of her cash payments for her service as a member of our Audit Committee and a member of the Nominating and Governance Committee, with an aggregate grant date fair value of $8,000.

(3) As of December 31, 2020, our non-employee directors held the following equity awards:

| Name | Deferred Stock Units | RSUs | Shares Underlying Stock Options |
|---|---|---|---|
| N. Leigh Anderson | 11,126 | — | — |
| Donald Pastor | — | 5,326 | 5,341 |
| Richard W. Roedel | 285,208 | — | 304,164 |
| Gary Spiegel | 5,800 | 5,326 | — |
| Warren B. Phelps, III | 52,266 | — | — |
| Mary Beth Vitale | 17,993 | — | — |

(4) Messrs. Pastor, Spiegel and Phelps, Ms. Vitale, and Dr. Anderson received 5,326 restricted stock units ("RSUs"), in each case with a grant date fair value of $37,500, for their annual director retainer. Mr. Roedel received 8,877 RSUs with a grant date fair value of $62,500 for service as chairman of the board of directors. The grant date fair value was computed in accordance with ASC Topic 718, *Compensation-Stock Compensation*. For a discussion of valuation assumptions, see Note 11 to our audited consolidated financial statements included in our Annual Report on Form 10-K for the fiscal year ended December 31, 2020. Pursuant to our non-employee directors deferred compensation plan, Messrs Phelps, Roedel, Dr. Anderson and Ms. Vitale elected to receive these RSUs in the form of deferred stock units and these awards are included in the deferred stock units totals in footnote (3).

We also reimburse our non-employee directors for all reasonable out-of-pocket expenses incurred in the performance of their duties as directors, which expense reimbursements are not included in the foregoing table.

## Compensation

*Retainers.* Board members receive an annual retainer pursuant to our amended and restated non-employee director compensation policy. In 2020, under this policy, the annual retainer for service as chairman of the board was $62,500, the annual retainer for board service was $37,500, the annual retainer for service as a member of a committee was $4,000, and the annual retainer for service as a chairman of a committee was $11,000 (except for the Nominating and Governance Committee, which was $6,000). These board and committee retainers are paid quarterly in advance. These retainers for board and committee service are paid, at the election of the director, in either shares of common stock or stock units issued pursuant to our non-employee directors' deferred compensation plan, as described above.

*Equity-Based Compensation.* Pursuant to the amended and restated non-employee director compensation policy, non-employee directors are also entitled to receive an annual equity grant in the form of RSUs at the time of annual meeting of stockholders. In 2020, the chairman of our board of directors was entitled to RSUs with a value of $62,500 and other non-employee directors were entitled to RSUs with a value of $37,500. RSUs granted under the policy will vest on the earlier of the one-year anniversary of the grant date or the date of the next annual meeting of stockholders. Our non-employee directors may elect to receive these RSUs in the form of stock units pursuant to our non-employee directors' deferred compensation plan.

## Compensation Committee Interlocks and Insider Participation

None of the members of our Compensation Committee during 2020 is or was a present or former officer or employee of the Company, nor did such members engage in any transaction or relationship requiring disclosure in this proxy statement under the section titled "Certain Relationships and Related Person Transactions."

No executive officer of the Company served as a director or member of the Compensation Committee (or other board committee performing equivalent functions) of any other entity during the last fiscal year, one of whose executive officers served on our board of directors or Compensation Committee.

## Code of Business Conduct and Ethics

We have adopted a Code of Business Conduct and Ethics that applies to all our directors and employees, including our principal executive officer, principal financial officer and principal accounting officer or controller. The full text of our Code of Business Conduct and Ethics is posted on our website at www.lunainc.com in the “Investor Relations” section. If we make any substantive amendments to the Code of Business Conduct and Ethics or grant any waiver from a provision of the Code to any executive officer or director, we will promptly disclose the nature of the amendment or waiver on our website.

## Hedging and Pledging Policy

Our insider trading policy prohibits directors, executive officers and other employees from engaging in speculative trading activities, including hedging transactions or other inherently speculative transactions with respect to our securities. The policy also prohibits directors, executive officers and other employees from holding company securities in a margin account or otherwise pledging the company’s securities as collateral for a loan.

# Executive Officers

The following table sets forth certain summary information concerning our executive officers as of March 26, 2021.

| Name | Age | Position |
|---|---|---|
| **Scott A. Graeff** | 54 | President, Chief Executive Officer, Treasurer and Secretary |
| **Eugene Nestro** | 55 | Chief Financial Officer |

Information about Mr. Graeff is set forth above under “Class III Director Nominees for Election for a Three-Year Term Expiring at the 2024 Annual Meeting of Stockholders.”

*Eugene Nestro* has served as our Chief Financial Officer since December 2019. He previously served as the Vice President, Corporate Finance at Cree, Inc., a public company developing and marketing power and radio frequency semiconductors and lighting class LEDs, from September 2017 to June 2019. Prior to Cree, Mr. Nestro served in corporate and operational finance positions of increasing responsibility at TE Connectivity Ltd., a public industrial technology company, from 2000 to September 2017. Mr. Nestro holds a B.S. degree in accounting from Penn State University and M.B.A. from Saint Joseph’s University, Erivan K. Haub School of Business.

# Proposal No. 2
# Advisory Vote on Executive Compensation

At our 2019 annual meeting of stockholders, our stockholders indicated their preference that we solicit a non-binding advisory vote on the compensation of our named executive officers, commonly referred to as a “say-on-pay” vote, every year. The Board has adopted a policy that is consistent with that preference. In accordance with that policy, this year we are again asking for our stockholders to approve, on an advisory basis, the compensation of the Company’s named executive officers as disclosed in this proxy statement in accordance with SEC rules.

This vote is not intended to address any specific item of compensation, but rather the overall compensation of the Company’s named executive officers described in the Executive Compensation section of this proxy statement. As discussed in those disclosures, the Company believes that its compensation policies and decisions are consistent with current market practices. Compensation of the Company’s named executive officers is designed to enable the Company to attract and retain talented and experienced executives to lead the Company successfully in a competitive environment.

Accordingly, the board of directors is asking the stockholders to indicate their support for the compensation of the Company’s named executive officers as described in this proxy statement by casting a non-binding advisory vote “FOR” the following resolution:

“RESOLVED, that the compensation paid to the Company’s named executive officers, as disclosed pursuant to compensation disclosure rules of the Securities and Exchange Commission, including the Executive Compensation section, compensation tables and any related information disclosed in this proxy statement, is hereby APPROVED.”

Because the vote is advisory, it is not binding on the board of directors or the Company. Nevertheless, the views expressed by the stockholders, whether through this vote or otherwise, are important to management and the board of directors and, accordingly, the board of directors and the Compensation Committee intend to consider the results of this vote in making determinations in the future regarding executive compensation arrangements.

Advisory approval of this proposal requires the vote of the holders of a majority of the shares present online at the meeting or represented by proxy and entitled to vote at the annual meeting.

**THE BOARD OF DIRECTORS RECOMMENDS YOU VOTE “FOR” PROPOSAL NUMBER 2.**

# Proposal No. 3
# Ratification of Appointment of Independent Registered Public Accounting Firm

Our Audit Committee has appointed Grant Thornton LLP as our independent registered public accounting firm for the year ending December 31, 2021 and has further directed that management submit the selection of our independent registered public accounting firm for ratification by the stockholders at the annual meeting. Grant Thornton LLP has served as our independent audit firm since 2005. A representative of Grant Thornton LLP is expected to be present at our 2021 annual meeting of stockholders and will have an opportunity to make a statement and respond to appropriate questions from stockholders.

Ratification of the appointment of Grant Thornton LLP as our independent registered public accounting firm is not required by our bylaws or other applicable legal requirements. However, our board of directors is submitting the appointment of Grant Thornton LLP to the stockholders for ratification as a matter of good corporate practice. If our stockholders fail to ratify the appointment, the Audit Committee will reconsider whether or not to retain that firm. Even if the appointment is ratified, the Audit Committee at its discretion may direct the appointment of a different independent registered public accounting firm at any time during the year if it determines that such a change would be in our best interests and the best interests of our stockholders.

The affirmative vote of a majority of shares of our common stock present online at the 2021 annual meeting of stockholders or by proxy and entitled to vote is required to ratify the appointment of Grant Thornton LLP as our independent registered public accounting firm for the year ending December 31, 2021. Abstentions will have the same effect as a vote against this proposal. Broker non-votes are counted towards a quorum but are not counted for any purpose in determining whether this matter has been approved.

## Audit and Related Fees for Fiscal Years 2019 and 2020

The following table sets forth a summary of the aggregate fees billed to us by Grant Thornton LLP for professional services for the fiscal years ended December 31, 2019 and 2020, respectively. All of the services described in the following fee table were approved by the Audit Committee.

| Name | 2019 | 2020 |
|---|---|---|
| Audit Fees | $ 600,880 | $ 574,125 |
| Audit-Related Fees | 51,250 | — |
| Total Fees | $ 652,130 | $ 574,125 |

The Audit Committee meets regularly with Grant Thornton LLP throughout the year and reviews both audit and, if applicable, other services performed by Grant Thornton LLP as well as fees charged for such services. Audit fees for 2019 and 2020 consisted of professional services rendered for the annual audits of our consolidated financial statements and review of quarterly financial statements included in our quarterly reports on Form 10-Q. For 2019, audit fees also included the cost of auditing our internal control over financial reporting.

## Pre-Approval Policies and Procedures

The Audit Committee has adopted, and the board of directors has approved, a policy that sets forth the procedures and the conditions pursuant to which services proposed to be performed by the independent auditors may be pre-approved. The policy generally pre-approves all audit services and non-audit services by our independent auditors, except in the case of non-audit services where subsequent approval is necessary and permissible. Pursuant to its pre-approval policy, the Audit Committee may delegate pre-approval authority for non-audit services to one or more of its members. The member to whom such authority is delegated must report, for informational purposes only, any pre-approval decisions to the Audit Committee at its next scheduled meeting. During 2019 and 2020, all services provided by Grant Thornton LLP were pre-approved by the Audit Committee in accordance with this policy.

**THE BOARD OF DIRECTORS RECOMMENDS YOU VOTE "FOR" PROPOSAL NUMBER 3.**

# Audit Committee Report

As described more fully in its charter, the purpose of the Audit Committee is to assist the board of directors with its oversight responsibilities regarding the integrity of our financial statements, our compliance with legal and regulatory requirements, assessing our independent registered public accounting firm's qualifications and independence and, if applicable, the performance of the persons performing internal audit duties for the Company.

Company management is responsible for preparation, presentation and integrity of our financial statements as well as our financial reporting processes, accounting policies, internal audit function, internal accounting controls and disclosure controls and procedures. Our independent registered public accounting firm is responsible for performing an independent audit of our consolidated financial statements in accordance with generally accepted auditing standards and to issue a report thereon. The Audit Committee's responsibility is to monitor and oversee these processes. The following is the Audit Committee's report submitted to the board of directors for 2020.

The Audit Committee has:

- reviewed and discussed our audited financial statements for the fiscal year ended December 31, 2020 with management and Grant Thornton LLP, our independent registered public accounting firm;
- discussed with Grant Thornton LLP the matters required to be discussed by Auditing Standard No. 1301, Communications with Audit Committees, as adopted by the Public Company Accounting Oversight Board; and
- received from Grant Thornton LLP the disclosures and a letter regarding their independence as required by the applicable requirements of the Public Company Accounting Oversight Board requesting Grant Thornton LLP's communication with the Audit Committee concerning independence and discussed the auditors' independence with them.

In addition, the Audit Committee has met separately with Company management and with Grant Thornton LLP.

Based on the review and discussions referred to above, the Audit Committee recommended to the board of directors that the audited 2020 financial statements be included in our Annual Report on Form 10-K for the year ended December 31, 2020 for filing with the Securities and Exchange Commission.

AUDIT COMMITTEE

Warren B. Phelps, III, Chairman
N. Leigh Anderson
Don Pastor
Mary Beth Vitale

*The foregoing audit committee report is not "soliciting material," shall not be deemed incorporated by reference into any filing of the Company under the Securities Act of 1933 or the Securities Exchange Act of 1934, whether made before or after the date hereof, and shall not otherwise be deemed filed under these acts, except to the extent we specifically incorporate by reference into such filings.*

# Executive Compensation

The Company is a “smaller reporting company” under Item 10 of Regulation S-K promulgated under the Securities and Exchange Act of 1934, and the following compensation disclosure is intended to comply with the requirements applicable to smaller reporting companies. Although the rules allow the Company to provide less detail about its executive compensation program, the Compensation Committee is committed to providing the information necessary to help stockholders understand its executive compensation-related decisions. Accordingly, this section includes supplemental narrative that describes the 2020 executive compensation program for our named executive officers.

## Executive Summary

We seek to closely align the interests of our named executive officers with the interests of our stockholders. Our compensation programs are designed to reward our named executive officers for the achievement of short-term and long-term strategic and operational goals and financial performance, without encouraging unnecessary or excessive risk-taking. Our performance-oriented compensation program consists of base salary, annual cash bonuses, long-term equity incentives, such as restricted stock awards and stock option grants, benefits and, for certain senior executive officers, severance and termination protection.

For 2020, our primary corporate goals related to our operating income for the year and our revenue growth compared to 2019. Our executive compensation policies for the year were, therefore, designed to incentivize our executive officers to execute against the most significant financial performance objectives and to focus on creation of value for our stockholders. We sought to incentivize this performance primarily through cash incentives that were based on our financial performance and also through grants of restricted stock.

The highlights of our 2020 executive compensation program were as follows:

- Our chief executive officer received a base salary increase of 12% from the 2019 level.
- We established a 2020 senior management incentive plan, which rewarded our named executive officers for our corporate financial performance, specifically whether the Company achieved specified financial performance metrics. The amount of the bonus was based on the amount of consolidated revenue earned in 2020 and consolidated operating income for the twelve months ended December 31, 2020 and individual qualitative objectives. We paid bonuses based on our performance as measured against each of the target financial metrics and the accomplishment of the qualitative objectives.
- In January 2020, 35% of the shares subject to annual grants to our named executive officers were granted in the form of performance-based RSUs (based on the target level of long-term performance goals) as a part of periodic equity grants to these executives.
- In January 2021, we adjusted the performance metrics under our 2020 senior management incentive plan as follows:
    - Consistent with past practice, our Compensation Committee adjusted the financial metrics under our incentive plan to exclude the costs associated with the acquisition of OptaSense, as further discussed below.
    - Our Compensation Committee considered our senior management’s performance in light of the impact of the COVID-19 pandemic on our performance and made modest adjustments to the financial metrics under the incentive plan, as further discussed below.

## Overview of Compensation Philosophy

Our overall compensation philosophy is to provide executive compensation packages that enable us to attract, retain and motivate highly qualified executive officers to achieve our short-term and long-term business goals. Consistent with this philosophy, the following compensation elements provide a framework for our executive compensation program: base salary; a cash bonus program designed to reinforce desired performance goals; and non-cash compensation intended to align the interests of our executives with those of our stockholders. Beginning in 2019, the non-cash compensation is provided in the form of annual grants of equity compensation comprising a combination of service-based RSUs which will vest over time, and performance-based RSUs that will vest based on our achievement of long-term performance goals.

## Role of Compensation Committee and Compensation Consultant

Our executive compensation program is approved and monitored by the Compensation Committee of our board of directors. Under the terms of its charter, the Compensation Committee is responsible for reviewing and approving compensation granted to our executive officers, including our Chief Executive Officer ("CEO"), and those executive officers who report directly to the CEO and any other officers as determined under Section 16 of the Securities Exchange Act of 1934, as amended. Currently, we have two executive officers, our CEO and our Chief Financial Officer. In particular, the Compensation Committee reviews and approves for the CEO and any other executive officers the following components of compensation:

- annual base salary;
- cash and equity bonuses, including the specific goals and amount;
- other equity compensation, if any;
- employment agreements, severance arrangements, and change in control provisions, as applicable;
- signing bonus or payment of relocation costs, above normal Company policy, if applicable; and
- any other material benefits, other than those provided to all employees.

The Compensation Committee also serves as the administrator for our equity incentive plans. All stock-based awards, including new grants to existing employees and executive officers, as well as grants to new employees, are approved by the Compensation Committee. The Compensation Committee is also responsible for annually evaluating the performance of our executive officers.

We generally attempt to align our overall executive compensation with other publicly-traded peer companies who share similar characteristics. Because of our diversified product and service offerings, we believe our peer group includes a broad range of technology and growth companies with whom we compete for executive talent.

The Compensation Committee has the authority to retain its own compensation consultant and to obtain advice and assistance from internal or external legal, accounting or other advisors as it sees fit. The Compensation Committee engaged an independent third-party compensation consultant, Compensation Strategies, Inc., in 2020 to conduct a competitive peer group analysis of our current executive compensation program to provide us with insights and market data on executive and director compensation matters, both generally and within our industry. In 2020, Compensation Strategies, Inc., compared the salary, target cash incentives, and equity compensation of our executive officers against an identified peer group of publicly traded companies. As a result of its analysis, Compensation Strategies, Inc., made recommendations to the Compensation Committee that were intended to bring the compensation elements paid to our executive officers towards the median of the identified peer companies, which are specified in the table below.  These peer group companies were selected by the Compensation Committee because they are in the scientific and technical instruments industry and are comparable to our size based on their revenue and market value.

| Peer Group | | |
|---|---|---|
| Company | Industry | Location |
| Applied Optolectronics, Inc. | Semiconductors | Sugar Land, TX |
| Clearfield, Inc. | Communication Equipment | Minneapolis, MN |
| CUI Global, Inc. | Electrical Equipment | Tualatin, OR |
| EXFO, Inc. | Communication Equipment | Quebec City, QC |
| Emcore Corporation | Semiconductors | Alhambra, CA |
| IEC Electronics Corp. | Electronic Components | Newark, NY |
| inTEST Corporation | Semiconductors | Mt. Laurel, NJ |
| IntriCon Corporation | Medical Instruments & Supplies | Arden Hills, MN |
| Iteris, Inc. | Communication Equipment | Santa Ana, CA |
| Mesa Laboratories, Inc. | Scientific & Technical Instruments | Lakewood, CO |
| Napco Security Technologies | Security & Protection Services | Amityville, NY |
| NeoPhotonics Corporation | Semiconductors | San Jose, CA |
| NLight, Inc. | Semiconductors | Vancouver, WA |

## Compensation Recovery Policy

In February 2019, the Compensation Committee adopted a policy for recoupment of incentive compensation. Under the terms of this policy, if the Company is required to prepare an accounting restatement for any fiscal quarter or year due to the material noncompliance of the Company with any financial reporting requirement, the Company may seek to recover from certain employees, including the named executive officers, during the three fiscal years preceding the date on which the Company was required to prepare such accounting restatement, incentive bonus and equity awards in excess of amounts that would have been awarded based upon the restated financial statements. The Company may seek recoupment from prior incentive compensation payments through the reduction of future incentive compensation payments, the reduction or cancellation of outstanding incentive compensation payments, and direct repayment by the executive.

## Future Compensation Strategy

We intend to continue our strategy of paying competitive short-term cash compensation and offering long-term incentives through equity-based compensation programs that align individual compensation with corporate financial performance. We believe that our total compensation package is reasonable in the aggregate. We also believe that, in light of our compensation philosophy, total compensation for our executives should continue to consist of base salary, annual bonus awards (consisting of cash, stock or a combination of both), long-term equity based compensation, and certain other benefits.

We anticipate that the competitive posture of our total direct compensation will vary year to year as a result of our performance, as well as the performance of peer group companies and the market as a whole. Accordingly, the magnitude and weighting of different compensation components will likely evolve over time.

## Summary Compensation Table

The following table sets forth the summary information concerning compensation earned during the last two completed fiscal years by our president and chief executive officer and our chief financial officer, who were our only executive officers during 2020. We refer to these persons as our “named executive officers” elsewhere in this proxy statement. The following table includes all compensation earned by the named executive officers for the respective periods, regardless of whether such amounts were actually paid during the period.

| Name and Principal Position | Year | Salary ($) | Bonus ($) | Stock Awards ($) | Non-Equity Incentive Plan Compensation ($) | All Other Compensation ($) | Total ($) |
|---|---|---|---|---|---|---|---|
| **Scott A. Graeff** | 2020 | 385,000 | 11,957(1) | 461,160(2) | 311,443(3) | 9,268(4) | 1,178,828 |
| President and | 2019 | 340,000 | — | 376,050(5) | 235,841(6) | 9,232(4) | 961,123 |
| Chief Executive Officer | | | | | | | |
| **Eugene Nestro** | 2020 | 275,000 | 5,694(1) | 181,440(2) | 148,306(3) | 6,477(4) | 616,917 |
| Chief Financial Officer | 2019 | 11,458(7) | — | 361,000(5) | — | 55(4) | 372,513 |

(1) Represents the discretionary amounts earned pursuant to the 2020 senior management incentive plan by virtue of the Compensation Committee’s discretionary adjustments to the Company’s financial performance, as described in greater detail below.

(2) In accordance with SEC rules, these amounts reflect the grant date fair values of the RSUs granted to each of the named executive officers in 2020, calculated in accordance with ASC Topic 718 for stock-based compensation transactions. Each RSU represented the contingent right to receive one share of our common stock. For Messrs. Graeff and Nestro, the amount reported in the table above includes the grant date fair values of time-based RSUs, as well as 32,025 performance-based RSUs and 12,600 performance-based RSUs, respectively, which were based on the probable outcome of the vesting conditions of these RSUs as of the grant date. These performance-based RSUs vest upon the achievement of certain performance targets, subject to the recipient’s continuous service through the vesting events. Assuming that the maximum performance vesting condition of these RSUs was met as of the grant date, the aggregate grant date fair value of all RSUs granted to Messrs. Graeff and Nestro would have been $541,863 and $213,192, respectively. For a discussion of valuation assumptions, see Note 11 to our audited consolidated financial statements included in our Annual Report on Form 10-K for the fiscal year ended December 31, 2020.

(3) Represents bonus amounts paid to the named executive officer under our 2020 senior management incentive plan upon the deemed achievement of specified financial and qualitative performance objectives.

(4) Includes Company 401(k) plan matching contributions and policy premiums paid for life insurance for the benefit of the named executive officer.

(5) In accordance with SEC rules, these amounts reflect the grant date fair values of the RSUs granted to each of the named executive officers in 2019, calculated in accordance with ASC Topic 718 for stock-based compensation transactions. Each RSU represented the contingent right to receive one share of our common stock. For Mr. Graeff the amount reported in the table above includes the grant date fair values of time-based RSUs, as well as 34,500 performance-based RSUs, which were based on the probable outcome of the vesting conditions of these RSUs as of the grant date. These performance-based RSUs vest upon the achievement of certain performance targets, subject to the recipient’s continuous service through the vesting events. Assuming that the maximum performance vesting condition of these RSUs was met as of the grant date, the aggregate grant date fair value of all RSUs granted to Mr. Graeff would have been $413,655. For a discussion of valuation assumptions, see Note 11 to our audited consolidated financial statements included in our Annual Report on Form 10-K for the fiscal year ended December 31, 2019.

(6) Represents bonus amounts paid to the named executive officer under our 2019 senior management incentive plan upon the deemed achievement of specified financial and qualitative performance objectives.

(7) Represents base salary amounts paid to the named executive officer after his appointment as Chief Financial Officer in December 2019. Mr. Nestro’s annualized base salary for 2019 was $275,000, as set forth in his employment agreement.

## Narrative Disclosure to Summary Compensation Table

### *Executive Compensation Program Overview*

As described above, our performance-oriented compensation program consists of base salary, annual cash bonuses, long-term equity incentives, such as RSU awards and stock option grants, benefits and, for certain senior executive officers, severance and termination protection. We believe that appropriately balancing the total compensation package and ensuring the viability of each component of the package is necessary in order to provide compensation that is competitive and to attract and retain talent. As a small company, we also try to optimize the mix of components to make such compensation programs cost effective for us.

The Compensation Committee intends for our compensation program to provide basic elements that ensure that management is fairly remunerated and has reasonable security so that the management team can perform at its best and take prudent risks. The committee believes that it does not use highly leveraged short-term incentives that drive high risk investments at the expense of our long-term value.

Our Compensation Committee typically evaluates the performance of each executive officer annually, based on the achievement of both corporate goals and individual qualitative performance objectives and makes its compensation decisions accordingly. Total compensation for our executive officers may vary significantly from year to year based on Company, divisional and individual performance. Further, the value of equity-based awards to our executives will vary based on fluctuation in our stock price from time to time.

The following is a more detailed explanation of the primary components of our executive compensation program.

### *Base Salary*

Base salary is generally determined by considering competitive salary data and individual job performance. In determining base salary, we primarily rely on factors such as job performance, skill set, prior experience, past levels of compensation, seniority, pay levels of similarly situated positions internally, alternative opportunities that may be available to executives, retention, and market conditions generally. Base salaries for executive officers are reviewed at least annually. In each case, we take into account the results achieved by the executive, his future potential, the scope of the officer's responsibilities and the depth of his experience. We do not apply specific formulas to determine annual pay increases, if any, and our Compensation Committee attempts to make decisions regarding changes in base salary in the context of other short-term and long-term compensation components.

The Compensation Committee approved annual base salaries for the named executive officers as follows:

| Name | 2019 Base Salary | 2020 Base Salary | % Increase |
|---|---|---|---|
| Scott A. Graeff, President and Chief Executive Officer | $ 340,000 | $ 385,000 | 13% |
| Eugene Nestro, Chief Financial Officer | $ 275,000 | $ 275,000 | - % |

### *Cash Incentive Bonuses*

In January 2020, our Compensation Committee adopted a senior management incentive plan for fiscal year 2020. Under the terms of the incentive plan, certain of our employees, including all of our named executive officers were eligible to receive bonus payments based upon a target percentage of their respective salaries for 2020. For our named executive officers, if the threshold operating income target was achieved, the amount of the bonus was to be based upon whether we achieved consolidated revenue exceeding specified amounts, whether we achieved consolidated operating income exceeding specified amounts, and the achievement of specified qualitative objectives. For Mr. Graeff, the target bonus percentage was equal to 60% of his salary for 2020. For Mr. Nestro, the target bonus was 40% of his salary for 2020. The Compensation Committee selected these metrics because the committee believed them to be the appropriate indicators of success in the execution of our strategic and operating plans and achievement of key corporate goals and because these factors are critical to increasing the value of our common stock.

If the threshold operating income target was achieved, for both the operating income objective and the revenue objective, minimum, target and maximum levels of achievement were possible. At the minimum level of achievement, the officer would receive a payout of 50% of the target percentage. At the target level of achievement, the officer would receive a payout of 100% of the target percentage. At the maximum level of achievement, the officer would receive a payout of 200% of the target percentage. For financial performance values falling between the minimum and target levels, or between the target and maximum levels, award amounts would be interpolated on a linear basis.

For 2020, our minimum, target, and maximum goals, our actual levels of achievement, our adjusted levels of achievement, and the resulting payout percentage for each metric are reflected in the table below. As further described below, consistent with past practice and to properly assess the achievement of the operating income metric, our Compensation Committee adjusted achievement of consolidated operating income to reflect the OptaSense transaction that was not foreseeable at the time of adoption of the incentive plan. With respect to the revenue metric and as further described below, the Compensation Committee also considered our senior management's performance in light of the COVID-19 pandemic, our performance relative to the performance of our peers, and our overall organizational health.

| Metric | Weighting | Minimum | Target | Exceeds | Maximum | Actual Achievement | Adjusted Actual Achievement | Payout Percentage |
|---|---|---|---|---|---|---|---|---|
| Consolidated operating income/(loss) | 40% | $ 4.0 million | $ 5.0 million | $ 6.0 million | $ 8.0 million | $ 5.0 million | $ 8.1 million (1) | 200% (Maximum) |
| Consolidated revenue | 40% | $ 76.0 million | $ 83.0 million | $ 90.0 million | $ 98.0 million | $ 82.7 million | $ 83.0 million (2) | 100% (Target) |
| Individual qualitative objectives (3) | 20% | | | | | | | 100% (Target) |

(1) Solely for purposes of calculating the payout percentage for purposes of our 2020 senior management incentive plan and consistent with past practice, the Compensation Committee adjusted GAAP consolidated operating income to exclude transaction expenses of $3.0 million incurred in connection with the acquisition of OptaSense Holdings Limited ("OptaSense") in December of 2020.

(2) Solely for purposes of calculating the payout percentage for purposes of our 2020 senior management incentive plan, the Compensation Committee adjusted GAAP consolidated revenue by $1.8 million to reflect our senior management team's successful execution of our strategic priorities despite the challenges of the COVID-19 pandemic. After taking into account the incremental cost to the organization of such adjustment, the Compensation Committee determined it was a modest and reasonable adjustment that did not result in a payout in excess or target and only increased the performance level under the annual incentive plan by 2.2%.

(3) The Compensation Committee determined that Mr. Graeff and Mr. Nestro achieved 100% of their individual qualitative objectives by contributing to the corporate objectives, individually and as part of the leadership team, and successfully leading the organization through the COVID-19 pandemic.

Other than as set forth above, the Compensation Committee did not make any additional changes or adjustments with respect to our executive compensation program. Mr. Graeff's and Mr. Nestro's payout under the 2020 senior management incentive plan, is set forth below:

| Named Executive Officer | 2020 Awarded Bonus | Percentage of Target Bonus Awarded |
|---|---|---|
| Scott A. Graeff, President and Chief Executive Officer | $ 323,400 | 140% |
| Eugene Nestro, Chief Financial Officer | $ 154,000 | 140% |

## *Equity Incentives*

Consistent with our compensation philosophy, our Compensation Committee believes that equity awards can be a significant motivator in attracting, retaining and rewarding the success of management employees by providing compensation with long-term vesting requirements and linking the ultimate value of those awards to stockholder returns. This component may include both grants of restricted stock units, or RSUs, and stock options. Similar to base salary increases, equity instruments may also be granted in connection with promotions or significant changes in responsibility. Although grants of stock-based awards can impact our operating results, we believe that long-term equity-based compensation can be an important element of our overall compensation program because it helps focus our executives on our long-term financial and operational performance and also aligns the interests of our executives with those of our stockholders. The potential financial value offered through such stock awards is also an important retention tool.

The Compensation Committee intends to provide for annual grants of equity compensation comprising a combination of service-based RSUs, which will vest over time, and performance-based RSUs that will vest based on our achievement of long-term performance goals. With respect to the 2020 grants of equity compensation (the “2020 Grants”), the service-based RSUs are scheduled to vest in three equal annual installments and the performance-based RSUs are scheduled to vest, if at all, based on our levels of 2022 revenue and operating income, in each case subject to the executive officer’s continuous service through vesting. The performance-based awards establish threshold, target and maximum vesting amounts based on pre-defined levels of each of 2022 revenue and operating income, subject to the overall achievement of a minimum level of operating income for the year ending December 31, 2022.

Set forth below is a table summarizing the 2020 Grants for each named executive officer:

| | Time-Based Restricted Stock Units | Performance-Based Restricted Stock Units | | |
|---|---|---|---|---|
| | | Threshold | Target | Maximum |
| Scott A. Graeff, President and Chief Executive Officer | 39,650 | 10,675 | 21,350 | 32,025 |
| Eugene Nestro, Chief Financial Officer | 15,600 | 4,200 | 8,400 | 12,600 |

The Compensation Committee intends to continue to grant a combination of time-based and performance-based equity incentive awards to the named executive officers on an annual basis. It is the Compensation Committee’s current expectation that, in future years, performance-based grants will represent 50% of the named executive officers’ total annual equity incentive awards.

### *Timing of Equity Grants*

We do not time the granting of our equity awards relative to any favorable or unfavorable news that we release. Restricted stock or stock options for new employees, including executive officers, are generally awarded at the first regular meeting of the Compensation Committee following the employee’s hire date, or, in certain limited cases, at the first regular meeting of the Compensation Committee following the prospective employee’s written acceptance of an employment offer. The Compensation Committee’s regular meeting schedule is established several months in advance of each meeting. Thus, proximity of any equity grant to an earnings announcement or other market events is coincidental.

### *Other Benefits*

In general, our practice is to provide commensurate benefits to employees at all levels of our organization. Consistent with this practice, the following are the primary benefits provided to our full-time employees, including our named executive officers:

- health, vision and dental insurance including, at the employee’s option, Flexible Spending Accounts and/or a Health Savings Account;
- term life insurance and optional supplemental life insurance;
- optional supplemental health coverage;
- short- and long-term disability benefits;
- 401(k) plan, under which we match 30% of an employee’s contributions up to 10% of the employee’s total cash compensation, which match vests over a period of three years;
- employee stock purchase plan, under which participating employees may use after-tax payroll deductions to buy our common stock at a discounted price at regular intervals; and
- paid time off and holidays.

We believe that these benefits are consistent with those offered by other companies and specifically with those companies with which we compete for employees.

## Outstanding Equity Awards at December 31, 2020

The following table shows all outstanding unexercised stock options and unvested stock awards held by our named executive officers as of December 31, 2020.

| | Option Awards | | | | Stock Awards | | | |
|---|---|---|---|---|---|---|---|---|
| Name | Number of Securities Underlying Unexercised Options (#) Exercisable | Unexercisable | Option Exercise Price ($) | Option Expiration Date | Number of Shares that have not vested (#) | Market Value of Shares that have not vested ($) (8) | Equity incentive plan awards: number of unearned shares or units of stock that have not vested (#) | Equity incentive plan awards: market or payout value of unearned shares or units of stock that have not vested ($) (8) |
| **Scott A. Graeff** | 34,351 | — | 1.68 | 2/28/2022 | | | | |
| | | | | | 46,666(1) | 461,060 | | |
| | | | | | 61,333(2) | 605,970 | | |
| | | | | | 39,650(3) | 391,742 | | |
| | | | | | | | 11,500(4) | 113620 |
| | | | | | | | 10,675(5) | 105,469 |
| **Eugene Nestro** | | | | | 33,333(6) | 329,330 | | |
| | | | | | 15,600(3) | 154,128 | | |
| | | | | | | | 4,200(7) | 41,496 |

(1) Represents unvested shares underlying a restricted stock award issued on May 15, 2018, which will vest annually over a three-year period.

(2) Represents unvested shares underlying a RSU award issued on January 14, 2019. The shares underlying this RSU award will vest annually over a three-year period.

(3) Represents unvested shares underlying a RSU award issued on January 8, 2020. The shares underlying this RSU award will vest annually over a three-year period.

(4) Represents unvested shares underlying a performance-based RSU based on the threshold level of achievement under the terms of the grant. Pursuant to the terms of the award, the award will vest, if at all, based on the Company's levels of 2021 revenue and operating income, in each case subject to the executive officer's continuous service through vesting. 11,500 shares underlying the RSU award will vest if the threshold level of achievement is reached, 23,000 shares underlying the RSU award will vest if the target level of achievement is reached and 34,500 shares underlying the RSU award will vest if the maximum level of achievement is reached.

(5) Represents unvested shares underlying a performance-based RSU based on the threshold level of achievement under the terms of the grant. Pursuant to the terms of the award, the award will vest, if at all, based on the Company's levels of 2022 revenue and operating income, in each case subject to the executive officer's continuous service through vesting. 10,675 shares underlying the RSU award will vest if the threshold level of achievement is reached, 21,350 shares underlying the RSU award will vest if the target level of achievement is reached and 32,025 shares underlying the RSU award will vest if the maximum level of achievement is reached.

(6) Represents unvested shares underlying a RSU award issued on December 2, 2019, which will vest annually over a three year period.

(7) Represents unvested shares underlying a performance-based RSU based on the threshold level of achievement under the terms of the grant. Pursuant to the terms of the award, the award will vest, if at all, based on the Company's levels of 2022 revenue and operating income, in each case subject to the executive officer's continuous service through vesting. 4,200 shares underlying the RSU award will vest if the threshold level of achievement is reached, 8,400 shares underlying the RSU award will vest if the target level of achievement is reached and 12,600 shares underlying the RSU award will vest if the maximum level of achievement is reached.

(8) Based on the closing price of our common stock of $9.88 per share as of December 31, 2020, the last trading day of 2020.

## Employment Agreements

### *Employment Agreement with Scott A. Graeff*

On December 5, 2017, we entered into an amended and restated employment agreement with Scott A. Graeff as our President and Chief Executive Officer. Under the terms of the amended and restated employment agreement, Mr. Graeff's initial salary was $325,000, which was subject to adjustment by the Compensation Committee from time to time. Mr. Graeff's annual base salary for 2021 is $410,000. Under the amended and restated employment agreement, Mr. Graeff is eligible to participate in an annual cash incentive plan for a discretionary cash bonus plan with a payout at target performance of 75% of his actual salary during such year and a maximum value of 150% of his actual salary during such year, subject to the achievement of individual and corporate performance criteria to be determined by our board of directors or our Compensation Committee and set forth in the incentive plan.

The employment agreement provides that, in the event that his employment is terminated by us “without cause” or by him for “good reason” (each as defined in the employment agreement), subject to his entering into and not revoking a release in a form acceptable to the Company, he will be entitled to receive:

- a severance payment equal to 12 months of his then current annual salary payable in installments on the Company's regular payroll dates plus a lump sum payment equal to his annual cash incentive compensation assuming that the performance objectives were achieved at the target level;
- if he timely elects and remains eligible for continued coverage under COBRA, an amount equal to the health insurance premiums that we were paying on his behalf and on behalf of his covered dependents prior to the date of termination for a period of nine months, or 12 months if the termination occurs within 12 months following a change in control transaction;
- a lump sum payment of any annual cash incentive earned but unpaid with respect to the year preceding the year of termination; and
- a cash payment for any unvested company matching contributions in his account under the Company’s 401(k) plan and for any accrued but unpaid vacation.

In addition to the severance and retention payments described above, in the event a change in control occurs due to a sale of the Company’s assets or a merger of the Company or an acquisition of the Company via tender offer, the employment agreement also provides that Mr. Graeff will receive the payments described above provided that all such payments will be accelerated and not deferred. In addition, all outstanding equity awards received prior to the change in control shall immediately vest.

In addition, in the event that payments made upon termination constitute parachute payments within the meaning of Section 280G of the Code and are subject to excise tax imposed under Section 4999 of the Code, then the payments may be reduced if such reduction results in Mr. Graeff receiving on an after-tax basis a greater severance amount.

### *Employment Agreement with Eugene Nestro*

Effective December 2, 2019, we entered into an employment agreement with Mr. Nestro. Pursuant to the employment agreement, Mr. Nestro is employed by us on an "at-will" basis.

Under the terms of the employment agreement, Mr. Nestro’s initial salary was $275,000, which was subject to adjustment by the Compensation Committee from time to time. Mr. Nestro’s annual base salary for 2021 is $290,000. Under the amended and restated employment agreement, Mr. Nestro is eligible to participate in our senior management incentive plan for an annual discretionary cash bonus with a target value of at least 40% of his then current base salary, subject to the achievement of individual and corporate performance criteria to be determined by our board of directors or our Compensation Committee and set forth in the incentive plan.

In the event that Mr. Nestro’s employment is terminated by us "without cause" or by Mr. Nestro for "good reason" (each as defined in his employment agreement), subject to Mr. Nestro’s entering into and not revoking a separation agreement that includes, among other terms, a general release of claims in our favor, in a form acceptable to us, Mr. Nestro will be entitled to receive:

- severance payments equal to his then applicable base salary for a period of 9 months paid in installments on our regular payroll dates;
- a discretionary lump sum bonus payment equal to the target bonus that he would have been eligible to receive for the year in which the termination occurs, which will be paid when we otherwise pay annual bonuses, so long as that date is no later than March 15th the following year in which the termination occurs; provided, however, if the termination occurs within three months prior to or 12 months following a "change in control" transaction (as defined in the employment agreement), then Mr. Nestro will be entitled to receive a discretionary lump sum bonus payment equal to the maximum target bonus that he would have been eligible to receive for the year in which the termination occurs;

- if he timely elects and remains eligible for continued coverage under COBRA, the health insurance premiums that we were paying on behalf of Mr. Nestro and his covered dependents prior to the date of termination, until the earliest of (i) 12 months following termination, (ii) the date Mr. Nestro becomes eligible for substantially equivalent insurance in connection with new employment or self-employment, or (iii) the date Mr. Nestro ceases to be eligible for COBRA continuation coverage; and
- a cash payment for any unvested company matching contributions in Mr. Nestro's account under our 401(k) plan.

In addition, if Mr. Nestro's employment is terminated by us "without cause" or by Mr. Nestro for "good reason" within three months prior to or 12 months following a "change of control" transaction, all unvested stock options and other stock awards for our common stock held by Mr. Nestro as of immediately prior to the termination date will accelerate in full.

In addition, in the event that payments made upon termination constitute parachute payments within the meaning of Section 280G of the Code and are subject to excise tax imposed under Section 4999 of the Code, then the payments may be reduced if such reduction results in Mr. Nestro receiving on an after-tax basis a greater severance amount.

## *Change in Control Benefits and Severance*

The Compensation Committee believes that change in control and severance benefits play an important role in attracting and retaining valuable executives. The payment of such benefits also ensures a smooth transition in management following a change in control by giving the named executive officer the incentive to remain with the Company through the transition period, and, in the event the officer's employment is terminated as part of the transition, by compensating the officer with a degree of financial and personal security during a period in which he is likely to be unemployed. As a result, as described above, we have historically maintained employment agreements with our named executive officers that provide for severance payments and continuation of group benefits if our named executive officers' employment is terminated by us without "cause" or by the named executive officers for "good reason," including in circumstances involving a change in control of the Company. In the event of the termination of employment of a named executive without "cause" or for "good reason" in connection with a change in control, all outstanding stock options and other stock awards are subject to accelerated vesting. Additionally, upon the completion of a change in control, the vesting of the performance-based RSUs described above will vest in full as to 100% of the target number of shares.

In connection with a change in control, the severance and other benefits provided for in the named executive officers' employment agreements or otherwise payable to such named executive officers may be treated as excess parachute payments under Section 280G of the Code. In such event, under the terms of these employment agreements, the executive officer's severance benefits shall be payable either (A) in full, or (B) as to such lesser amount which would result in no portion of such severance benefits being subject to excise tax under Section 4999 of the Code, whichever of the foregoing amounts, taking into account the applicable federal, state and local income taxes and the excise tax imposed by Section 4999, results in the receipt by the executive officer, on an after-tax basis, of the greatest amount of severance benefits under the employment agreement, notwithstanding that all or some portion of such severance benefits may be taxable under Section 4999 of the Code.

## Securities Authorized for Issuance Under Equity Compensation Plans

The following table summarizes our securities authorized for issuance under our equity compensation plans as of December 31, 2020:

| Plan Category | Number of securities to be issued upon exercise of outstanding options, warrants, and rights (a) | Weighted average exercise price of outstanding options, warrants and rights (b) | Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a)) (c) |
|---|---|---|---|
| Equity compensation plans approved by security holders | 2,758,883(1) | $2.33(2) | 2,797,447(3) |
| Total | 2,758,883(1) | $2.33(2) | 2,797,447(3) |

(1) Consists of 2,329,416 shares underlying stock options and 429,467 shares underlying restricted stock units.

(2) Includes 429,467 shares issuable upon the settlement of restricted stock units without consideration. The weighted average exercise price of the outstanding options and rights other than these restricted stock units is $2.76 per share.

(3) Securities remaining available for future issuance under equity compensation plans include 1,690,815 securities available for issuance under the 2016 Equity Incentive Plan and 1,106,632 available for issuance under the 2020 Employee Stock Purchase Plan as of December 31, 2020.

Our 2016 Equity Incentive Plan allows for forfeited awards to be added back to our pool of available awards, including awards forfeited from the 2006 Equity Incentive Plan after the expiration date of our 2006 Equity Incentive Plan.

# Stock Ownership Guidelines

In 2018, our board of directors established stock ownership guidelines applicable to our officers and directors, which are intended to ensure that our officers and directors acquire and maintain an equity stake in the company that aligns their interests with those of our stockholders.

Our officer stock ownership guidelines provide that the chief executive officer and each other officer at the level of vice president or above who report directly to the chief executive officer must acquire and maintain stock ownership at a multiple of their respective base salaries. Ownership varies by officer level, with the chief executive officer's target at three times salary, chief financial officer's target at two times base salary and all other officers at targets at one times salary.

Our director stock ownership guidelines provide that each director should acquire and maintain stock ownership in the company equal to one times his or her annual board retainer.

Compliance is assessed at September 30 of each year, and as of the most recent evaluation date, all current officers and directors were in compliance with the stock ownership guidelines.

# Security Ownership of Certain Beneficial Owners and Management

The following table sets forth certain information with respect to beneficial ownership of our common stock, as of March 31, 2021, by:

- each person known by us to be a beneficial owner of 5% or more of the outstanding shares of our common stock;
- each of our directors and the board of directors' nominees for director;
- each of the executive officers named in the Summary Compensation Table, to whom we refer as our named executive officers; and
- all of our currently serving executive officers and directors as a group.

Beneficial ownership is determined in accordance with the rules of the SEC. Except as indicated by the footnotes below, we believe, based on the information furnished to us and Schedules 13D and 13G, if any, filed with the SEC, that the persons and entities named in the table below have sole voting and investment power with respect to all shares of the common stock that they beneficially own, subject to applicable community property laws. In computing the number of shares beneficially owned by a person and the percentage ownership of that person, shares of common stock subject to options, RSUs, warrants, stock units under our non-employee directors' deferred compensation plan or other exercisable or convertible securities held by that person that are currently exercisable or convertible or exercisable or convertible within 60 days of March 31, 2021 are deemed outstanding, but are not deemed outstanding for purposes of computing the percentage ownership of any other person. Unless otherwise indicated, these shares do not include any stock, options or RSUs or stock units awarded after March 31, 2021. A total of 31,397,642 shares of our common stock were outstanding as of March 31, 2021.

Unless otherwise indicated, the address of each beneficial owner listed in the table below is c/o Luna Innovations Incorporated, 301 1st Street SW, Roanoke, Virginia 24011.

| Name and Address of Beneficial Owner | Number of Shares Beneficially Owned | Percent of Class |
|---|---|---|
| BlackRock Inc. (1)<br>55 East 52nd Street, New York, NY 10555 | 1,998,151 | 6.5% |
| Royce & Associates LP (2)<br>745 Fifth Avenue, New York, NY 10151 | 1,962,077 | 6.4% |
| Scott A. Graeff (3) | 521,092 | 1.7% |
| Eugene Nestro | 15,009 | - |
| Donald Pastor (4) | 154,846 | * |
| Richard W. Roedel (5) | 1,049,285 | 3.3% |
| Gary Spiegel (6) | 81,512 | * |
| Warren B. Phelps, III (7) | 78,035 | * |
| N. Leigh Anderson (8) | 35,502 | * |
| Mary Beth Vitale (9) | 19,386 | * |
| Pamela Coe | - | - |
| All current directors and executive officers as a group (8 persons) (10) | 1,954,667 | 6.1% |

* Represents less than 1% of the outstanding shares of common stock.

(1) This information has been obtained from a Schedule 13G filed on February 2, 2021 by BlackRock, Inc.

(2) This information has been obtained from a Schedule 13G filed on January 27, 2021 by Royce & Associates LP.

(3) Includes (i) 34,531 shares subject to options that are immediately exercisable or exercisable within 60 days of March 31, 2021, and (ii) 46,666 shares of restricted stock which will vest within 60 days of March 31, 2021.

(4) Includes 5,326 shares of common stock issuable pursuant to stock units held under our non-employee directors' deferred compensation plan that are payable under circumstances within the control of the holder.

(5) Includes 304,164 shares subject to options that are immediately exercisable or exercisable within 60 days of March 31, 2021, and 287,079 shares of common stock issuable pursuant to stock units held under our non-employee directors' deferred compensation plan that are payable under circumstances within the control of the holder.

(6) Includes 13,943 shares of common stock issuable pursuant to stock units held under our non-employee directors' deferred compensation plan that are payable under circumstances within the control of the holder.

(7) Includes 61,802 shares of common stock issuable pursuant to stock units held under our non-employee directors' deferred compensation plan that are payable under circumstances within the control of the holder.

(8) Includes 19,269 shares of common stock issuable pursuant to stock units held under our non-employee directors' deferred compensation plan that are payable under circumstances within the control of the holder.

(9) Includes 19,386 shares of common stock issuable pursuant to stock units held under our non-employee directors' deferred compensation plan that are payable under circumstances within the control of the holder.

(10) Includes an aggregate of: (i) 406,805 shares of common stock issuable pursuant to stock units issued under our non-employee directors' deferred compensation plan that are payable under circumstances within the control of the holders; (ii) an aggregate of 338,695 shares of common stock issuable under stock options that are immediately exercisable or exercisable within 60 days of March 31, 2021; and (iii) 46,666 shares of restricted stock that will vest within 60 days of March 31, 2021

# Certain Relationships and Related Person Transactions

## Policies and Procedures for Transactions with Related Persons

Related person transactions, which we define as all transactions involving an executive officer, director, nominee for director or a holder of more than five percent of our common stock, including any of their immediate family members and any entity owned or controlled by such persons, are reviewed and approved by the Audit Committee of our board of directors and a majority of disinterested directors on our board.

In any transaction involving a related person, our Audit Committee and board of directors consider all of the available material facts and circumstances of the transaction, including:

- the direct and indirect interests of the related persons;
- in the event the related person is a director or director nominee (or immediate family member of a director or director nominee or an entity with which a director or director nominee is affiliated), the impact that the transaction will have on a director's or director nominee's independence;
- the risks, costs and benefits of the transaction to us; and
- whether any alternative transactions or sources for comparable services or products are available.

After considering all such facts and circumstances, our Audit Committee and board determine whether approval or ratification of the related person transaction is in our best interests. For example, if our Audit Committee determines that the proposed terms of a related person transaction are reasonable and at least as favorable as could have been obtained from unrelated third parties, it will recommend to our board of directors that such transaction be approved or ratified. Alternatively, if a related person transaction will compromise the independence of one of our directors or director nominees, our Audit Committee may recommend that our board of directors reject the transaction if it could affect our ability to comply with securities laws and regulations or Nasdaq listing requirements.

Each transaction described below was approved or ratified by our Audit Committee or the disinterested members of our board of directors after making a determination that the transaction was on terms no less favorable than those we could have obtained from unrelated third parties.

The policies and procedures described above for reviewing and approving related person transactions are not set forth in writing. The charter for our Audit Committee, however, provides that one of the committee's responsibilities is to review and approve in advance any proposed related person transactions.

## Transactions and Relationships with Directors, Nominees for Director, Executive Officers and Five Percent Stockholders

Other than compensation described in "Executive Compensation" and "Director Compensation" elsewhere in this proxy statement and as described below, we believe that there has not been any other transaction or series of transactions since January 1, 2018 to which we were or are to be a participant in which the amount involved exceeds $120,000 and in which any director, nominee for director, executive officer or holder of more than five percent of our common stock, or members of any such person's immediate family, had or are expected to have a direct or indirect material interest.

### *Indemnification Agreements with Officers and Directors*

We have entered into indemnity agreements with certain of our officers and directors that provide, among other things, that we will indemnify such officer or director, under the circumstances and to the extent provided for therein, for expenses, damages, judgments, fines and settlements he or she may be required to pay in actions or proceedings that he or she is or may be made a party by reason of his or her position as a director, officer or other agent of the Company, and otherwise to the fullest extent permitted under Delaware law and our bylaws.

# Other Information

## Other Matters to be Presented at the Annual Meeting

We do not know of any matters to be presented at our 2021 annual meeting of stockholders other than those described in this proxy statement. If any other matters are properly brought before the annual meeting, proxies will be voted in accordance with the best judgment of the person or persons voting the proxies.

## Security Holder Communication with Board Members

Any holder of our common stock may contact the board of directors or a specified individual director by writing to the attention of the board of directors (or a specified individual director) and sending such communication to the attention of our corporate Secretary at our executive offices as identified in this proxy statement. Each communication from a stockholder should include the following information in order to permit us to confirm your status as a security holder and enable us to send a response if deemed appropriate:

- the name, mailing address and telephone number of the security holder sending the communication;
- the number and type of our securities owned by such security holder; and
- if the security holder is not a record owner of our securities, the name of the record owner of our securities beneficially owned by the security holder.

Our corporate Secretary will forward all appropriate communications to the board of directors or individual members of the board of directors as specified in the communication. Our corporate Secretary may, but is not required to, review all correspondence addressed to the board of directors or any individual member of the board of directors. The purpose of this review is to allow the board to avoid having to consider irrelevant or inappropriate communications, such as advertisements, solicitations and hostile communications, or any correspondence more suitably directed to management.

## Stockholder Proposals for 2022 Annual Meeting

Our bylaws provide for advance notice procedures to recommend a person for nomination as a director or to propose business to be considered by stockholders at a meeting but not to be included in our proxy materials. For the 2022 annual meeting of stockholders, such nominations or proposals, other than those made by or at the direction of the board of directors, must be submitted in writing and received by our corporate Secretary at our offices no later than January 13, 2022, which is 90 days prior to the anniversary of the expected mailing date of this proxy statement. If our 2022 annual meeting of stockholders is moved more than 30 days before or after the anniversary date of our 2021 annual meeting of stockholders, then the deadline is the close of business on the tenth day following the day notice of the date of the meeting was mailed or made public, whichever occurs first. Such proposals also need to comply with all applicable requirements of the rules and regulations of the SEC. The chairperson of a stockholder meeting may refuse to acknowledge the introduction of your proposal if it is not made in compliance with the foregoing procedures or the applicable provisions of our bylaws.

In addition, for a stockholder proposal to be considered for inclusion in our proxy statement for the 2022 annual meeting of stockholders, the proposal must be submitted in writing and received by our corporate Secretary at our offices at 301 1st Street SW, Suite 200, Roanoke, Virginia 24011 no later than December 14, 2021, which is 120 days prior to the anniversary of the expected mailing date of this proxy statement. You are also advised to review our bylaws, which contain additional requirements about advance notice of stockholder proposals and director nominations.

## Householding of Annual Meeting Materials

Some banks, brokers and other nominee record holders may participate in the practice of “householding” proxy statements and their accompanying documents. This means that only one set of our annual meeting materials is sent to multiple stockholders in your household unless you instruct otherwise. We will promptly deliver a separate copy of these documents without charge to you upon written request to Luna Innovations Incorporated, 301 1st Street SW, Suite 200, Roanoke, Virginia 24011, Attn: Investor Relations. If you want to receive separate copies of our annual meeting materials in the future, or if you are receiving multiple copies and would like to receive only one copy per household, you should contact your bank, broker or other nominee record holder, or you may contact us at the above address and phone number.

By Order of the Board of Directors

/s/ Scott A. Graeff

Scott A. Graeff
President, Chief Executive Officer, Treasurer and Secretary

April 09, 2021

**A copy of our Annual Report to the Securities and Exchange Commission on Form 10-K for the fiscal year ended December 31, 2020 is available without charge on our website, *www.lunainc.com,* or upon written request to: Corporate Secretary, Luna Innovations Incorporated, 301 1st Street SW, Suite 200, Roanoke, Virginia 24011.**

LUNA

P.O. BOX 8016, CARY, NC 27512-9903

**YOUR VOTE IS IMPORTANT!**
**PLEASE VOTE BY:**

| | |
|---|---|
| INTERNET | Go To: www.proxypush.com/LUNA<br>• Cast your vote online<br>• Have your Proxy Card ready.<br>• Follow the simple instructions to record your vote. |
| PHONE | Call 1-866-390-6270<br>• Use any touch-tone telephone, 24 hours a day, 7 days a week.<br>• Have your Proxy Card ready.<br>• Follow the simple recorded instructions. |
| MAIL | • Mark, sign and date your Proxy Card.<br>• Fold and return your Proxy Card Form in the postage-paid envelope provided. |

**CONTROL NUMBER**

<— Please fold here — Do not separate —>

# Luna Innovations Incorporated

## Annual Meeting of Stockholders

For Stockholders as of March 26, 2021

**TIME:** Tuesday, May 11, 2021 12:00 PM, Eastern Time
**PLACE:** Annual Meeting to be held live via the Internet - please visit www.proxydocs.com/LUNA for more details.

### This proxy is being solicited on behalf of the Board of Directors

The undersigned hereby appoints Scott A. Graeff and Eugene Nestro, and each or either of them, as the true and lawful attorneys of the undersigned, with full power of substitution and revocation, and authorizes them, and each of them, to vote all the shares of capital stock of Luna Innovations Incorporated which the undersigned is entitled to vote at said meeting and any adjournment thereof upon the matters specified and upon such other matters as may be properly brought before the meeting or any adjournment thereof, conferring authority upon such true and lawful attorneys to vote in their discretion on such other matters as may properly come before the meeting and revoking any proxy heretofore given.

THE SHARES REPRESENTED BY THIS PROXY WILL BE VOTED AS DIRECTED OR, IF NO DIRECTION IS GIVEN, SHARES WILL BE VOTED IDENTICAL TO THE BOARD OF DIRECTORS RECOMMENDATION. This proxy, when properly executed, will be voted in the manner directed herein. In their discretion, the Named Proxies are authorized to vote upon such other matters that may properly come before the meeting or any adjournment or postponement thereof.

You are encouraged to specify your choice by marking the appropriate box (SEE REVERSE SIDE) but you need not mark any box if you wish to vote in accordance with the Board of Directors' recommendation. The Named Proxies cannot vote your shares unless you sign (on the reverse side) and return this card.

PLEASE BE SURE TO SIGN AND DATE THIS PROXY CARD AND MARK ON THE REVERSE SIDE

# Luna Innovations Incorporated

## Annual Meeting of Stockholders

**Please make your marks like this: X Use dark black pencil or pen only**

**THE BOARD OF DIRECTORS RECOMMENDS A VOTE FOR PROPOSAL(S) 1, 2, 3.**

| | PROPOSAL | YOUR VOTE | | | BOARD OF DIRECTORS RECOMMENDS |
|---|---|---|---|---|---|
| 1. | Election of Directors | | | | |
| | | FOR | WITHHOLD | | |
| | **To vote for all directors mark here:** | ☐ | | | |
| | 1.01 Scott A. Graeff | ☐ | ☐ | | FOR |
| | 1.02 N. Leigh Anderson | ☐ | ☐ | | FOR |
| | 1.03 Pamela Coe | ☐ | ☐ | | FOR |
| | | FOR | AGAINST | ABSTAIN | |
| 2. | Approval, on an advisory basis, of the compensation of Luna's named executive officers. | ☐ | ☐ | ☐ | FOR |
| 3. | Proposal to ratify the appointment of Grant Thornton LLP as Luna's independent registered public accounting firm for the fiscal year ending December 31, 2021. | ☐ | ☐ | ☐ | FOR |

**You must pre-register to attend the meeting online and/or participate at www.proxydocs.com/LUNA.**

Authorized Signatures - Must be completed for your instructions to be executed.
Please sign exactly as your name(s) appears on your account. If held in joint tenancy, all persons should sign. Trustees, administrators, etc., should include title and authority. Corporations should provide full name of corporation and title of authorized officer signing the Proxy/Vote Form.

Signature (and Title if applicable) Date

Signature (if held jointly) Date