



## Luna Innovations' Largest Investor Exchanges Debt for Equity

January 14, 2010

### ***Carilion Clinic exchanges \$6.2 million in debt for preferred stock***

ROANOKE, Va., Jan 14, 2010 (BUSINESS WIRE) -- Luna Innovations Incorporated (NASDAQ: LUNA) announced today that Carilion Clinic, its largest non-employee shareholder, has exchanged all outstanding convertible promissory notes of Luna, with a balance of principal and accrued interest equal to \$6.2 million, for newly issued shares of Series A Convertible Preferred Stock of Luna.

In 2005, Carilion Clinic invested \$10 million in equity and \$5 million in convertible promissory notes of Luna. The indebtedness accrued interest at 6 percent annually and had an aggregate balance of \$1.2 million in accrued interest. Carilion elected to exchange the entire balance of this indebtedness for shares of Luna preferred stock that will be convertible into shares of common stock at the original conversion price of the promissory notes of \$4.69 per share. In addition, Carilion will receive warrants for 356,000 shares of common stock that are exercisable beginning in 2013 at an exercise price of \$2.50 per share.

"Carilion has been an exceptional strategic partner of Luna's and is reaffirming its commitment by exchanging all of its debt for equity," said Kent Murphy, Chief Executive Officer. "We are significantly deleveraging our indebtedness and simultaneously increasing our stockholders equity, which materially strengthens Luna's balance sheet."

### **About Luna Innovations:**

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

### **Forward Looking Statements:**

This release may include information that constitutes "forward-looking statements" made pursuant to the safe harbor provision of the Private Securities Litigation Reform Act of 1995. Statements that describe the Company's business strategy, goals, prospects, opportunities, outlook, plans or intentions, including any potential future effect on Luna's financial strength are also forward looking statements. Actual results may differ materially from the expectations expressed in such forward-looking statements as a result of various factors, including risks and uncertainties set forth in the company's periodic reports and other filings with the Securities and Exchange Commission. Such filings are available at the SEC's website at <http://www.sec.gov>, and at the company's website at <http://www.lunainnovations.com>. The statements made in this release are based on information available to the company as of the date of this release and Luna Innovations undertakes no obligation to update any of the forward-looking statements after the date of this release.

SOURCE: Luna Innovations Incorporated

Luna Innovations Incorporated

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