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10
11 **UNITED STATES DISTRICT COURT**
12 **CENTRAL DISTRICT OF CALIFORNIA**

13
14 IN RE LUNA INNOVATIONS
15 INCORPORATED DERIVATIVE
16 LITIGATION

17 Case No. 2:24-cv-08194-CBM-KS

18 The Hon. Consuelo B. Marshall

19 **EXHIBIT C**

20 This Document Relates to:

21 ALL ACTIONS

22
23 **NOTICE OF PENDENCY AND PROPOSED SETTLEMENT OF**
24 **STOCKHOLDER DERIVATIVE ACTION**

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1 TO: **ALL CURRENT RECORD HOLDERS AND BENEFICIAL OWNERS OF**
2 **LUNA INNOVATIONS INCORPORATED (“LUNA” OR THE**
3 **“COMPANY”) COMMON STOCK, WHO HAVE HELD IT SINCE**
4 **OCTOBER 23, 2025.**

5 PLEASE READ THIS NOTICE CAREFULLY AND IN ITS ENTIRETY. THIS NOTICE
6 RELATES TO A PROPOSED SETTLEMENT AND DISMISSAL WITH PREJUDICE
7 OF STOCKHOLDER DERIVATIVE LITIGATION AND CONTAINS IMPORTANT
8 INFORMATION REGARDING YOUR RIGHTS.

9 IF THE COURT APPROVES THE SETTLEMENT OF THE DERIVATIVE ACTION,
10 CURRENT LUNA STOCKHOLDERS WILL BE FOREVER BARRED FROM
11 CONTESTING THE APPROVAL OF THE PROPOSED SETTLEMENT AND
12 DISMISSAL WITH PREJUDICE, AND FROM PURSUING RELEASED CLAIMS.

13 THIS ACTION IS NOT A “CLASS ACTION.” THUS, THERE IS NO COMMON FUND
14 UPON WHICH YOU CAN MAKE A CLAIM FOR A MONETARY PAYMENT.

15 PLEASE TAKE NOTICE that this action is being settled on the terms set forth in a
16 Stipulation and Agreement of Settlement dated October 23, 2025 (the “Stipulation”). The
17 purpose of this Notice is to inform you of:

- 18 • the existence of the above-captioned consolidated derivative action pending
19 in the United States District Court for the Central District of California (the “Court”)
20 captioned *In re Luna Innovations Incorporated Derivative Litigation*, Case No. 2:24-cv-
21 08194-CBM-KS (the “Action”),
22
23 • the proposed settlement between Plaintiffs and Defendants (together,
24 “Parties”) reached in the Action (the “Settlement”),
25
26 • the hearing to be held by the Court to consider the fairness, reasonableness,
27 and adequacy of the Settlement and dismissal of the Action with prejudice,
28
29 • Plaintiffs’ Counsel’s application to the Court for a Fee and Expense Amount
30 to be paid solely by Defendants’ insurers, and
31
32 • Plaintiffs’ Counsel’s application to the Court for Service Awards to each of
33 the two Plaintiffs.

1 This Notice describes what steps you may take in relation to the Settlement. This
2 Notice is not an expression of any opinion by the Court about the truth or merits of
3 Plaintiffs' claims or Defendants' defenses. This Notice is solely to advise you of the
4 proposed Settlement of the Action and of your rights in connection with the proposed
5 Settlement.

6 **Summary**

7 On October 23, 2025, Luna, in its capacity as a nominal defendant, entered into the
8 Stipulation to resolve the Action, which Stipulation was filed in the Court. The Action was
9 prosecuted derivatively on behalf of Luna against certain current and former directors and
10 officers of the Company and against the Company as a nominal defendant. The Stipulation,
11 and the settlement contemplated therein (the "Settlement"), subject to the approval of the
12 Court, are intended by the Parties to fully, finally, and forever compromise, resolve,
13 discharge, and settle the Released Claims and to result in the complete dismissal of the
14 Action with prejudice, upon the terms and subject to the conditions set forth in the
15 Stipulation. The proposed Settlement requires the Company to adopt and maintain certain
16 corporate governance reforms and procedures, as outlined in Exhibit A to the Stipulation
17 (the "Reforms").

18 In recognition of the substantial benefits conferred upon Luna as a direct result of
19 the Reforms achieved through the prosecution and Settlement of the Action, and subject to
20 Court approval, the Parties agreed on August 20, 2025 that Defendants' insurers shall pay
21 to Plaintiffs' Counsel attorneys' fees and expenses in the amount of five hundred thousand
22 dollars (\$500,000.00) (the "Fee and Expense Amount"). Plaintiffs' Counsel shall also
23 apply to the Court for service awards to be paid to the two Plaintiffs in an amount of up to
24 two thousand five hundred dollars (\$2,500.00) each (the "Service Awards"), to be paid out
25 of the Fee and Expense Amount.

26 This notice is a summary only and does not describe all of the details of the
27 Stipulation and its exhibits. For full details of the matters discussed in this summary, please
28 see the Stipulation and its exhibits posted on the Investor Relations page of the Company's
29 website, <https://ir.lunainc.com/>, contact Plaintiffs' Counsel as set forth below, or inspect
30 the full Stipulation and its exhibits filed with the Clerk of the Court.

31 **What is the Lawsuit About?**

32 The Action is brought derivatively on behalf of nominal defendant Luna and alleges,
33 *inter alia*, that beginning on May 16, 2022, the Individual Defendants violated the federal
34 securities laws and breached their fiduciary duties by issuing and/or causing the issuance

1 of material misrepresentations and failed to disclose, among other things, that improper
2 accounting procedures were used to calculate the Company's financial statements included
3 in filings with the U.S. Securities and Exchange Commission, requiring the restatement of
4 certain previously-issued financial statements. The Action alleges that, as a result of the
foregoing, the Company sustained financial and reputational harm.

5 Why is there a Settlement of the Action?

6 The Court has not decided in favor of Defendants or Plaintiffs. Instead, the Parties
7 agreed to the Settlement to avoid the distraction, costs, and risks of further litigation, and
8 because the Parties agree, and the Company has determined, that the Reforms that the
9 Company will adopt, implement, and maintain as part of the Settlement provide substantial
benefits to Luna and its stockholders.

10 Defendants deny and continue to deny that they have committed or engaged in any
11 wrongdoing or violation of law whatsoever. Defendants further deny each and every claim
12 and contention alleged by Plaintiffs in the Action. Each of the Individual Defendants
13 expressly denies and continues to deny all charges of wrongdoing or liability against
14 himself, herself, or themselves arising out of, based upon, related to, or in connection with
15 any of the conduct, statements, acts, or omissions alleged, which could have been alleged,
16 or which could in the future be alleged in the Action. Each of the Defendants contends that
17 he/she/they or it has acted properly, lawfully, and in full accord with their fiduciary duties
18 at all times, and deny that he/she/they or it has ever committed or attempted to commit any
19 breach of fiduciary duty owed to the Company and its stockholders or engaged in any
20 wrongdoing whatsoever. Had the terms of the Stipulation not been reached, Defendants
21 would have continued to deny Plaintiffs' claims, and each of the Defendants maintains that
22 he/she/they or it had and has meritorious defenses to all of the claims and allegations in the
Action. Without admitting the validity of any of the claims that Plaintiffs have asserted in
the Action, or any liability with respect thereto, Defendants have considered the uncertainty
and risks inherent in any litigation, the costs and burdens of continued litigation, the
substantial benefits conferred by the Settlement, and related considerations, and have
determined that it would best serve the interests of Luna and its stockholders to settle the
Action in the manner and upon the terms and conditions set forth in the Stipulation.

23 The Settlement Hearing, and Your Right to Object to the Settlement

25 On February 27, 2026, the Court entered an order preliminarily approving the
26 Stipulation and the Settlement contemplated therein (the "Preliminary Approval Order")
27 and providing for notice of the Settlement to be provided to current Luna stockholders who
owned Luna stock as of October 23, 2025 ("Current Luna Stockholders"). The Preliminary

1 Approval Order further provides that the Court will hold a hearing (the “Settlement
2 Hearing”) on March 31, 2026 at 10:00 a.m. before the Honorable Consuelo B. Marshall at
3 the United States District Court for the Central District of California, First Street
4 Courthouse, 350 W. 1st Street, Los Angeles, California 90012 to, among other things: (i)
5 determine whether the proposed Settlement is fair, reasonable and adequate and in the best
6 interests of the Company and its stockholders; (ii) consider any objections to the Settlement
7 submitted in accordance with this Notice; (iii) determine whether a judgment should be
8 entered dismissing all claims in the Action with prejudice, and releasing the Released
9 Claims against the Released Persons; (iv) determine whether the Court should approve the
10 agreed-to Fee and Expense Amount; (v) determine whether the Court should approve the
11 Service Awards to each of the two Plaintiffs, which shall be funded from the Fee and
12 Expense Amount approved by the Court; and (vi) consider any other matters that may
13 properly be brought before the Court in connection with the Settlement. Upon final
14 approval of the Settlement, the Action will be dismissed with prejudice.
15

16 The Court may, in its discretion, decide to hold the Settlement Hearing
17 telephonically or by videoconference and/or to change the date and/or time of the
18 Settlement Hearing without further notice to you. If you intend to attend the Settlement
19 Hearing, please consult the Court’s calendar or the Investor Relations page of the
20 Company’s website, <https://ir.lunainc.com/>, for any change in the format, date, or time of
21 the Settlement Hearing.
22

23 Any Current Luna Stockholder who wishes to object to the fairness, reasonableness,
24 or adequacy of the Settlement as set forth in the Stipulation, or to the Fee and Expense
25 Amount or Service Awards, may file with the Court a written objection. An objector must,
26 at least twenty-one (21) days prior to the Settlement Hearing: (1) file with the Clerk of the
27 Court and serve (either by hand delivery or by first class mail) upon the below listed
28 counsel a written objection to the Settlement setting forth (i) a written notice of objection
with the case name and number (*In re Luna Innovations Incorporated Derivative
Litigation*, Case No. 2:24-cv-08194-CBM-KS (C.D. Cal.)); (ii) the Person’s name, legal
address, and telephone number; (iii) notice of whether such Person intends to appear at the
Settlement Hearing and the reasons such Person desires to appear and be heard, and
whether such Person is represented by counsel and if so, contact information for counsel;
(iv) competent evidence that such Person held shares of Luna common stock as of the date
of the Stipulation and continues to hold such stock as of the date the objection is made,
including the date(s) such shares were acquired; (v) a statement of objections to any matters
before the Court, the grounds therefor, as well as all documents or writings such Person
desires the Court to consider; and (vi) the identities of any witnesses such Person plans on
calling at the Settlement Hearing, along with a proffer of their anticipated testimony. Any
objector who does not timely file and serve a notice of intention to appear in accordance
with the Settlement Hearing shall be deemed to have waived the right to object to the Settlement
and shall not be entitled to any relief or award.

with this paragraph shall be foreclosed from raising any objection to the Settlement and from objecting at the Settlement Hearing, except for good cause shown.

IF YOU MAKE A WRITTEN OBJECTION, IT MUST BE RECEIVED BY THE CLERK OF THE COURT NO LATER THAN MARCH 10, 2026. The Clerk's address is:

Clerk of the Court,
United States District Court for the Central District of California
First Street Courthouse
350 W. 1st Street
Los Angeles, California 90012

YOU ALSO MUST DELIVER COPIES OF THE MATERIALS TO PLAINTIFFS' COUNSEL AND DEFENDANTS' COUNSEL SO THEY ARE RECEIVED NO LATER THAN MARCH 10, 2026. Counsel's addresses are:

Counsel for Plaintiffs:
THE BROWN LAW FIRM, P.C.
Timothy Brown
767 Third Avenue, Suite 2501
New York, NY 10017

RIGRODSKY LAW, P.A.
Timothy J. MacFall
825 East Gate Boulevard, Suite 300
Garden City, NY 11530

Counsel for Defendants:
KING & SPALDING LLP
Lisa Bugni
633 West Fifth Street, Suite 1600
Los Angeles, CA 90071

An objector may file an objection on his, her, or its own or through an attorney hired at his, her, or its own expense. If an objector hires an attorney to represent him, her, or it for the purposes of making such objection, the attorney must serve (either by hand delivery or by first class mail) a notice of appearance on the counsel listed above and file such notice with the Court no later than twenty-one (21) days before the Settlement Hearing. Any Luna stockholder who does not timely file and serve a written objection complying with the

1 above terms shall be deemed to have waived, and shall be foreclosed from raising, any
2 objection to the Settlement, and any untimely objection shall be barred.

3 Any objector who files and serves a timely, written objection in accordance with the
4 instructions above, may appear at the Settlement Hearing either in person or through
5 counsel retained at the objector's expense. Objectors need not attend the Settlement
6 Hearing, however, in order to have their objections considered by the Court.

7 If you are a Current Luna Stockholder and do not take steps to appear in this action
8 and object to the proposed Settlement, you will be bound by the Judgment of the Court and
9 will forever be barred from raising an objection to the settlement in the Action, and from
10 pursuing any of the Released Claims.

11 **CURRENT LUNA STOCKHOLDERS AS OF OCTOBER 23, 2025 WHO
12 HAVE NO OBJECTION TO THE SETTLEMENT DO NOT NEED TO APPEAR
13 AT THE SETTLEMENT HEARING OR TAKE ANY OTHER ACTION.**

14 Interim Stay and Injunction

15 Pending the Court's determination as to final approval of the Settlement, Plaintiffs
16 and Plaintiffs' Counsel, and all Luna Stockholders, derivatively on behalf of Luna, are
17 barred and enjoined from commencing, prosecuting, instigating, or in any way
18 participating in the commencement or prosecution of any derivative action asserting any
19 Released Claims derivatively against any of the Released Persons in any court or tribunal.

20 Scope of the Notice

21 This Notice is a summary description of the Action, the complaints, the terms of the
22 Settlement, and the Settlement Hearing. For a more detailed statement of the matters
23 involved in the Action, reference is made to them in the Stipulation and its exhibits, copies
24 of which may be reviewed and downloaded at the investor relations page of the Company's
25 website, <https://ir.lunainc.com/>.

26 * * *

27 You may obtain further information by contacting Plaintiffs' Counsel at: Timothy
28 Brown, The Brown Law Firm, P.C., 767 Third Avenue, Suite 2501, New York, NY 10017,
Telephone: (516) 922-5427, E-mail: tbrown@thebrownlawfirm.net, or Timothy J.
MacFall, Rigrodsky Law, P.A., 825 East Gate Boulevard, Suite 300, Garden City, NY

1 11530, Telephone: (516) 683-3516, E-mail: tjm@rl-legal.com. **Please Do Not Call the**
2 **Court or Defendants with Questions About the Settlement.**
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