

Luna Innovations Incorporated Financial Conflict of Interest Policy

PURPOSE

The purpose of this policy is to document the requirements and responsibilities associated with identifying and managing financial conflicts of interest to safeguard the integrity of Luna's research and to comply with federal regulations.

This policy has been developed to address and comply with the federal agency requirements as defined in the 2011 Revised Financial Conflict of Interest (FCOI) Regulation, Promoting Objectivity in Research (42 CFR part 50 subpart F). This regulation was developed to promote objectivity in research by establishing standards that provide reasonable expectations ensuring the design, conduct and reporting of research funded under Public Health Services (PHS) National Institutes of Health (NIH) grants or cooperative agreements will be free from bias resulting from Investigator financial conflicts of interest. An electronic version of the regulation may be viewed via the internet at <http://www.gpo.gov/fdsys/pkg/FR-2011-08-25/pdf/2011-21633.pdf> .

DEFINITIONS

A complete list of official definitions can be found at 42 CFR 50.603.

Institution – means any domestic or foreign, public or private, entity or organization (excluding a Federal agency) applying for, or receiving NIH research funding.

Investigator – means the project director or principal investigator and any other person, regardless of title or position, who is or will be responsible for the design, conduct, or reporting of research funded by the NIH, which may include, for example, collaborators or consultants.

Institutional responsibilities – means an Investigator's professional responsibilities on behalf of the Institution, and as defined by the Institution, including but not limited to, activities such as research, research consultation, teaching, professional practice, institutional committee memberships, and service on panels such as Institutional Review Boards or Data and Safety Monitoring Boards.

Financial interest – means anything of monetary value, whether or not the value is readily ascertainable.

Financial conflict of interest (FCOI) – means a significant financial interest that could directly and significantly affect the design, conduct, or reporting of NIH-funded research.

Manage – means taking action to address a financial conflict of interest, which can include reducing or eliminating the financial conflict of interest, to ensure, to the extent possible, that the design, conduct, and reporting of research will be free from bias.

Senior/Key Personnel – means the PD/PI and any other person identified as senior/key personnel by the Institution in the grant application, progress report, or any other report submitted to the NIH by the Institution under the regulation.

Significant Financial Interest (SFI) –

(1) A financial interest consisting of one or more of the following interests of the Investigator (and those of the Investigator's spouse and dependent children) that reasonably appears to be related to the Investigator's institutional responsibilities:

- (i) With regard to any publicly traded entity, a significant financial interest exists if the value of any remuneration received from the entity in the twelve months preceding the disclosure and the

value of any equity interest in the entity as of the date of disclosure, when aggregated, exceeds \$5,000

- (ii) With regard to any non-publicly traded entity, a significant financial interest exists if the value of any remuneration received from the entity in the twelve months preceding the disclosure, when aggregated, exceeds \$5,000, or when the Investigator (or the Investigator's spouse or dependent children) holds any equity interest (e.g. stock, stock option, or other ownership interest); or
- (iii) Upon receipt of income related to intellectual property rights and interests (e.g. patents, copyrights)

(2) Investigators must disclose the occurrence of any reimbursed or sponsored travel (paid on behalf of the Investigator and not reimbursed to the Investigator so that the exact monetary value may not be readily available), related to their institutional responsibilities, provided, however, that this disclosure requirement does not apply to travel that is reimbursed or sponsored by excluded sources provided in regulation. For example, if the PI travels to a scientific seminar but does not pay or receive reimbursement by the Company directly (the travel was paid for by a third party/sponsor), the PI is required to disclose basic information to the Company relating to the trip, such as purpose of the trip, identify of the payer/sponsor, destination and duration. The Company is required to determine if additional information is required (ex. monetary value) and whether the travel constitutes a FCI with NIH-funded research.

(3) The term significant financial interest does not include the following types of financial interests:

- (i) salary, royalties, or other remuneration paid by the Institution to the Investigator if the Investigator is currently employed or otherwise appointed by the Institution;
- (ii) intellectual property rights assigned to the Institution and agreements to share in royalties related to such rights;
- (iii) any ownership interest in the Institution held by the Investigator, if the Institution is a commercial or for-profit organization;
- (iv) income from investment vehicles, such as mutual funds and retirement accounts, as long as the Investigator does not directly control the investment decisions made in these vehicles;
- (v) income from seminars, lectures, or teaching engagements sponsored by a federal, state or local government agency, an Institution of higher education as defined at 20 U.S.C. 1001(a), an academic teaching hospital, a medical center, or a research institute that is affiliated with an Institution of higher education; or
- (vi) income from service on advisory committees or review panels for a federal, state or local government agency, Institution of higher education as defined at 20 U.S.C. 1001(a), an academic teaching hospital, a medical center, or a research institute that is affiliated with an Institution of higher education.

PROCESS SUMMARY

Significant Financial Interests (SFI) (defined below) shall be disclosed on the **Investigator Disclosure of Significant Financial Interests** form (attached) by an Investigator requesting government-sponsored or company-sponsored funds for a research project or by an Investigator when a Significant Financial Interest arises during the course of research. All Investigators and key personnel are required to submit an **Investigator Disclosure of Significant Financial Interests** form annually.

It is the Principal Investigator's responsibility to ensure those with financial interests in research are identified and make the required disclosures in conjunction with submission of a research proposal.

The **Investigator Disclosure of Significant Financial Interests** form and supporting materials are forwarded to the Director of Contracts for review. The Contracts Department will be responsible for evaluating and instituting a plan for managing any disclosed financial interests, for producing institutional reports and other required reports to external sponsors and governmental agencies, and for the general administration and enforcement of this policy.

Advance approval by the Director of Contracts is required prior to engaging in government-sponsored research. A SFI review must be completed before any expenses are incurred under an award.

Annual updates are required of all Investigators and key personnel participating in research. Any Investigator who has acquired a new or increased financial interest during the course of a research project shall report it immediately to the Director of Contracts. Annual updates and newly acquired interests are reported using the **Investigator Disclosure of Significant Financial Interests** form.

PROCEDURES

- A. Identification of Persons Required to Disclose a Significant Financial Interest - It shall be the responsibility of the Principal Investigator to identify all Investigators who have a SFI requiring disclosure under this policy and to ensure that an **Investigator Disclosure of Significant Financial Interests** form is prepared and submitted. In addition, the Principal Investigator shall be responsible for ensuring that annual updates and disclosures of new or increased financial interests are disclosed.
- B. Submission and Review of **Investigator Disclosure of Significant Financial Interests** form - Every individual having a SFI requiring disclosure under this policy shall prepare a fully-completed **Investigator Disclosure of Significant Financial Interests** form that shall be submitted to the Director of Contracts. An initial review of the SFI Disclosure Form will be conducted by the Director of Contracts to determine whether a potential for conflict of interest exists. If it is determined that there is a potential conflict of interest, then steps will be taken to determine what measures are needed to address the SFI identified in the SFI Disclosure Form. A management plan may be required to outline the terms, conditions and restrictions, if any, to ensure compliance with this policy. The management plan may require one or more of the following actions (but not limited to) to be taken in order to manage, reduce or eliminate any actual or potential conflict of interest:
 - Public disclosure of significant financial interests;
 - Review of research protocols by independent reviewers;
 - Monitoring of research by independent reviewers;
 - Modification of research plan;
 - Disqualification from participation in all or a portion of the research funded;
 - Divestiture of significant financial interests;
 - Severance of relationships that create actual or potential conflicts

All management plans are required to be signed by the Investigator and the Chief Financial Officer. Compliance of the management plan shall be monitored by the Finance Department.

- C. Annual Reporting and After-Acquired Significant Financial Interests – All Investigators involved with NIH grants or contracts shall provide annual SFI Disclosure reports or more frequently if required by the management plan. Any Investigator who acquires a new or increased SFI shall promptly submit a new **Investigator Disclosure of Significant Financial Interests** form within 30 days of discovering or acquiring the new SFI. It is the Principal Investigator's responsibility to ensure that any newly acquired Investigator on a research project submits the required SFI report to the Director of Contracts.

- D. Violations of Conflict of Interest Policy – Investigators are expected to comply fully and promptly with this policy. Whenever a person has violated this policy, including failure to make a required disclosure of financial interests or failure to comply with a requirement of the management plan, the Director of Contracts shall make recommendations to the CEO regarding the impositions of sanctions or disciplinary proceedings against the violating individual.

In addition, the Company shall follow Federal regulations regarding the notification of the sponsoring agency in the event an Investigator has failed to comply with this policy. The federal agency may take its own action as it deems appropriate, including the suspension of the funding for the Investigator until the matter is resolved.

- E. Record Keeping – Records of **Investigator Disclosure of Significant Financial Interests** forms, and of actions taken to manage actual or potential conflicts of interest, shall be retained by the Contracts Department for three (3) years from the date the final expenditure report is submitted to the NIH, or as required by 45 CFR 74.53(b) and 92.42(b) for different situations.
- F. Sub-recipient Requirements – Sub-award recipients must comply with this policy or provide certification that their organization is in compliance with the Federal policy, *2011 Revised Financial Conflict of Interest Regulation, Promoting Objectivity in Research (42 CFR part 50 subpart F)* and that their portion of the research project, as detailed in their sub-award agreement, is in compliance with their institutional policies. If a SFI is identified by the sub-award recipient, they are required to notify the CFO of the existence of the conflicting interest within 30 days of the identification of the interest. In addition, the sub-award recipient must certify and assure that any reported conflicting interest has been managed, reduced or eliminated in accordance with federal regulations.
- G. Federal Reporting – The Contracts Department is responsible for the reporting disposition of matters involving disclosures of SFI in accordance with applicable federal requirements. The following reports are required by the NIH:
- i. Initial report – prior to the Company’s expenditure of any funds under a NIH-funded research project, the Company must provide to the NIH an FCOI report regarding any Investigator SFI found by the Company to be a financial conflict of interest in accordance with the regulation.
 - ii. During on-going NIH-funded research projects – the Company shall submit an FCOI report within 60 days after its determination that a new FCOI exists. If a FCOI was not disclosed timely, the Company shall submit a FCOI report to the NIH within 60 days of the discovery, as well as complete a retrospective review within 120 days of discovery of noncompliance.
 - iii. Annual FCOI report – For any FCOI previously reported to the NIH, the Company shall provide an annual FCOI report addressing the status of the FCOI and any changes to its related management plan.

TRAINING AND CERTIFICATION

The NIH Financial Conflict of Interest tutorial was designed by the National Institutes of Health (NIH) to provide education training on what constitutes financial conflict of interest. This course is required for anyone involved with an NIH funded project, including all Investigators, consultants and employees of Luna engaged in NIH-funded research.

The course is accessible at <http://grants.nih.gov/grants/policy/coi/tutorial2011/fcoi.htm> . Upon completion of the training, a certificate of completion must be turned into the Human Resources Department. You should retain a copy for your records. This training is required prior to engaging in research relating to any NIH-funded grant or as deemed necessary by the Company due to changes in the FCOI policy, non-compliance of the Investigator/Key Personnel or new to the Company. At a minimum, the FCOI training shall be taken every three (3) years.