

ChargeSource Powering the Mobile Lifestyle

Comarco Investor Presentation

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Comarco, Inc.

This presentation includes “forward-looking statements” that are subject to risks, uncertainties, and other factors that could cause actual results or outcomes to differ materially from those contemplated by the forward-looking statements. A number of important factors could cause our results to differ materially from those indicated by these forward-looking statements, including, among others, the impact of perceived or actual weakening of economic conditions on customers’ and prospective customers’ spending on our products and services; quarterly fluctuations in our revenue or other operating results; failure to meet financial expectations of analysts and investors, including failure from significant reductions in demand from earlier anticipated levels; risks related to market acceptance of our products and our ability to meet contractual and technical commitments with our customers; activities by us and others regarding protection of intellectual property; and competitors’ release of competitive products and other actions. Further information on potential factors that could affect our financial results are included in risks detailed from time to time in our Securities and Exchange Commission filings, including those detailed filings on Form 10-K and Form 10-Q.

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Agenda

- ❑ **Company Overview**
- ❑ **Go-to-Market Strategy**
- ❑ **Market Leading Products**
- ❑ **IP Strategy and Implementation**
- ❑ **Highlights FY 2010**
- ❑ **Milestone Objectives FY 2011**
- ❑ **Financials**

Comarco, Inc. (NASDAQ: CMRO)

- ❑ Divested two businesses in 2009 to focus solely on ChargeSource® IP and market opportunity
- ❑ Rapid growth “start-up” culture
- ❑ Serves rapidly growing market of mobile devices--computer laptops, cellphones/smartphones, Bluetooth devices, digital cameras, digital audio, eBook readers...
- ❑ Strong IP portfolio that combines a slim and light charger with simultaneous, intelligent charging of multiple devices (SmartTip® technology)
- ❑ Private label products to worldwide retail market and OEM PC manufacturers

Walmart

http://syndicate.sellpoint.net/Syndicate/AptViewer?play=XYF4GY-274270&1=1&vsr_sku=null

Retail Strategy

- ❑ Build market awareness of category from “best kept secret” in the market
- ❑ Penetrate the market with ChargeSource technology as rapidly as possible
- ❑ Develop unique market leading products
- ❑ Partner with a worldwide reseller
- ❑ Targus International is the largest reseller worldwide of power adapter products
 - ❑ Over 13,000 POS
- ❑ “Manhattan” product launched at CES & in retail outlets in Q1 2010
- ❑ Tremendous reception and strong demand



Retail



E-tail



Alternative



Distribution



OEM Strategy

- ❑ Engineering innovation and IP to produce unique products OEM PC companies can not source elsewhere
- ❑ Initial project as either an OEM branded accessory or “upsell” product
- ❑ Gain access to Authorized/Preferred Supplier List (ADL/PSL)
- ❑ Expand into additional RFI/RFQs for specialized products others can not/will not do
- ❑ Become mainline supplier of IP based adapters for main product lines where our value proposition differentiates the OEM’s core offerings

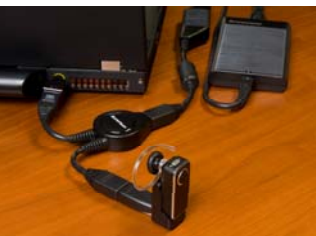
Comarco is at the forefront of developing innovative mobile and portable power solutions that create a positive customer experience



- Universal chargers
 - Charge multiple, unrelated devices with a single charger
 - Smaller in size than most standard products
 - Single SKU for easier inventory management



- Specialty DC charger for laptops
 - Designed for use in automobiles and aircrafts
 - Regulation circuitry inside plug that is inserted into the outlet
 - No external power device required



- Modular AC / DC charger
 - Sold as AC only, DC only, or AC/DC combination system





Chicago Sun Times - "Targus, Monster travel charging solutions are just the right size"



Giz Wiz reviews the new Premium Laptop Charger



CNET Editors' Rating 4/5 Stars
"Excellent"



Honored at CES for
Innovation



Crave - "Most Exciting Laptop
Charger Ever"



Computer Times - "Editors' Choice Travel Accessory"



Slash Gear - "Targus Premium Laptop
Charger Makes Us Wish We Liked Wires"



Hot Hardware - "Targus Slims Down
Charger Lineup, Gives Good Idea
To Everyone Else"



Gear Log - "Targus Charger Can Power Two At One Time"

Comarco's unique, integrated technical solutions and small form factor design have established its products as the choice of corporations and individual users

Key Technologies

- Charge multiple mobile devices simultaneously
 - Programmable output to set power levels for different devices
 - Tip “tells” adapter power needs for the specific device
 - Intelligent/Multiple device charging/SmartTip® technology supported by 22 patents
- Supports 15,000+ models of notebooks and thousands of low power electronic devices...with one charger
- Example: This feature is used in some Lenovo Products
 - Old ThinkPad's run on 16V, while new ones run on 20V, and still others on 19V
 - Comarco provided Lenovo with one adapter with different tips that work for all their devices

Key Technologies

- Small form factor
 - 40% smaller than standard adapters
 - Thin profile
 - Small form factor technology supported by 14 patents
 - High Power density know how
- Example: This feature is used in some Lenovo Products
- Lenovo's new Ultra Slim combo adapter utilizes this technology to achieve the smallest AC/DC offering by any OEM.
- Example: This feature is used in a Dell product
 - Dell's new 90W DC Auto/Air charger uses Comarco's high power density know how.

Comarco has a clear vision for how the Company integrates and utilizes IP to support its short and long term business objectives

IP Strategy Priorities

- Use IP to support business and product goals
 - Protect products that are highly desirable to target market
 - Protect products which create distinct competitive advantage
 - Enhance position as an innovator and market leader
- Design IP with an eye towards potential future licensing transactions
 - IP licensing a possible future business model
- Leverage IP to enhance and solidify valuable relationships with OEMs
 - Strength of Comarco IP is recognized by OEMs – adds value in relationship

Comarco is focused on the proactive and consistent capture of valuable inventions

Key IP Processes

- Actively identify and pursue IP on all potentially patentable inventions
 - Protect more rather than less
 - Don't want to leave any valuable IP "on the table"
- Use continuations and CIPs to maintain value of open filings
- Separate research function from development function
 - Helps company focus prioritization activities in areas most likely to generate IP
- Leverage OEM relationships to gather competitive IP intelligence
 - Input from customers helps identify opportunities for new IP
- Maximize strength of patent filings
 - Thorough review of internal disclosures before they are filed
 - Study claim construction and develop strategy for maximum benefit
 - Identify ways to circumvent what is being included in the disclosure
 - Prioritize and capture all relevant invent-arounds in formal filing

*Strong IP portfolio provides powerful defensibility for our innovative products**

Example IP Strength Indicators

- PV Tech score of 2.1
 - Patents being cited nearly twice as often as peer group
- Tech Depth rating of 2.7
 - Indicates powerful defensibility and barriers created by IP
 - Patents are difficult to design around
- PV Isolation rating of 33.5% (Median is 5.5%)
 - Suggests Comarco's technologies are more breakthrough than incremental
- Application conversion rate of ~78%
 - Suggests strong claims construction and validity

FY 2010 Highlights

- ❑ Designed and delivered next generation ChargeSource products to Targus and Lenovo
- ❑ Secured first RFQ win at Dell
- ❑ Revenue of \$26.4 million represents 95% growth over FY 2009
- ❑ Gross profit margin improved to 20% from (12)%
- ❑ Operating expenses reduced by 16%
- ❑ Operating loss reduced by \$9.2 million to \$4 million
- ❑ Silicon Valley Bank credit facility increased to \$10 million

“Bronx” Recall at Targus

- ❑ Exclusive agreement with Targus since June 2009
- ❑ First shipments of “Bronx” brick product in June 2009
- ❑ Next-generation “Manhattan” product shipped late in FYQ3 10
- ❑ Product recall initiated on April 30 of “Bronx”
 - ❑ Connector/tip assembly failures in the field & created potential safety issue due to heat
 - ❑ Manufacturer did not follow specs & quality control failed to detect a problem
 - ❑ Accrued \$4.6 million in recall reserve for fiscal 2010
- ❑ Relationship with Targus remains intact; Manhattan shipping; jointly developing new products

Milestone Objectives FY 2011

- ❑ Expand ChargeSource volumes and market share
 - ❑ Continue improvement in gross profit margins
 - ❑ Expand product portfolio to reach new markets
 - ❑ Improve execution in our supply chain process
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- ❑ Revenue Growth of 25-30% over FY 2010
 - ❑ Drive improved profitability and enhanced valuation

Financials

FY 2010 & 4th Quarter Income Statement

	Fourth Quarter			Full Year FY '10	
	<i>Before Recall Reserve</i>	<i>Recall Reserve</i>	<i>Reported</i>	<i>Before Reserve</i>	<i>Reported</i>
Sales					
<i>Targus</i>	\$ 6,567		\$ 6,567	\$ 18,806	\$ 18,806
<i>Lenovo</i>	2,705		2,705	7,619	7,619
<i>Other</i>	-		-		
Total	\$ 9,272		\$ 9,272	\$ 26,425	\$ 26,425
Gross Profit	1,898	(3,954)	(2,056)	5,289	1,335
%	20.5%		neg	20.0%	5.1%
Operating Expenses					
<i>Engineering</i>	855		855	3,715	3,715
<i>SG &A</i>	1,389	661	2,050	5,915	6,576
<i>Total</i>	2,244	661	2,905	9,630	10,291
Operating Profit	(346)	(4,615)	(4,961)	(4,341)	(8,956)
<i>Other Income / Taxes</i>	1,468	-	1,468	1,534	1,534
Net Income	1,122	(4,615)	(3,493)	(2,807)	(7,422)
Earnings Per Share	\$ 0.15	\$ (0.63)	\$ (0.48)	\$ (0.38)	\$ (1.01)
<i>Common Shares (000)</i>	7,327	7,327	7,327	7,327	7,327

FY 2010 4th Quarter Balance Sheet

	<u>January 31,</u> <u>2010</u>	<u>January 31,</u> <u>2009</u>
	<i>(in thousands)</i>	
Assets		
<i>Cash & Cash Equivalents</i>	10,127	14,144
<i>Receivables, net</i>	11,489	3,974
<i>Inventory, net</i>	935	1,232
<i>Other Current</i>	280	862
Total Current	22,831	20,212
<i>PP&E, net</i>	1,072	1,279
<i>Other</i>	-	77
Total Assets	23,903	21,568
Liabilities & Equity		
<i>Payables</i>	1,134	1,501
<i>Bank Line</i>	1,000	-
<i>Accrued Liabilities</i>	12,212	3,178
Total Current	14,346	4,679
<i>Tax Liability / Other</i>	96	268
Total Liabilities	14,442	4,947
Stockholders Equity	9,461	16,621
Total Liabilities & Equity	23,903	21,568

Six Reasons to Consider CMRO

- ❑ Well-positioned in the large and growing power accessories market
- ❑ Proprietary IP on small form factor and multiple source power adapter
- ❑ Expanding business with leading notebook OEM customers
Lenovo and Dell
- ❑ Exclusive worldwide distribution agreement with retail leader
Targus
- ❑ Margin improvement on sales increase leverage
- ❑ Strong cash position and SVB

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