



# **FORM 11-K**

## **COMARCO INC - CMRO**

**Filed: June 27, 2008 (period: December 31, 2007)**

An annual report of employee stock purchase savings and similar plans

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**SECURITIES AND EXCHANGE COMMISSION**  
**Washington, D.C. 20549**

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**FORM 11-K**

(Mark One):

**ANNUAL REPORT PURSUANT TO SECTION 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the fiscal year ended December 31, 2007

OR

**TRANSITION REPORT PURSUANT TO SECTION 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the transition period from \_\_\_\_\_ to \_\_\_\_\_

Commission File Number 0-5449

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**A. Full title of the plan and address of the plan, if different from that of the issuer named below:**

**COMARCO, INC.**  
**SAVINGS AND RETIREMENT PLAN**

**B. Name of issuer of the securities held pursuant to the plan and the address of its principal executive office:**

**Comarco, Inc.**  
25541 Commercentre Drive  
Lake Forest, CA 92630

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**COMARCO, INC.  
SAVINGS AND RETIREMENT PLAN**

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All other schedules are omitted because they are not required or applicable pursuant to ERISA and Department of Labor regulations.	
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**REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM**

The Board of Directors  
COMARCO, Inc.:

We have audited the accompanying statements of net assets available for benefits of the Comarco, Inc. Savings and Retirement Plan (the "Plan") as of December 31, 2007 and 2006, and the related statements of changes in net assets available for benefits for the years ended December 31, 2007, 2006 and 2005. These financial statements are the responsibility of the Plan's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatements. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the net assets available for benefits of the Plan as of December 31, 2007 and 2006 and the changes in net assets available for benefits for the years ended December 31, 2007, 2006 and 2005 in conformity with accounting principles generally accepted in the United States of America.

Our audit of the Plan's financial statements as of December 31, 2007 and the year then ended was made for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplemental schedule—Schedule H, Line 4i- Schedule of Assets (Held at End of Year) is presented for the purpose of additional analysis and is not a required part of the basic financial statements but is supplementary information required by the Department of Labor's Rules and Regulations for Reporting and Disclosure under the Employee Retirement Income Security Act of 1974. The supplemental schedule has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

/s/ Lesley, Thomas, Schwarz & Postma, Inc.  
Newport Beach, California  
June 26, 2008

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**COMARCO, INC.  
SAVINGS AND RETIREMENT PLAN**

**STATEMENTS OF NET ASSETS AVAILABLE FOR BENEFITS**

	<b>December 31,</b>	
	<b>2007</b>	<b>2006</b>
<b>ASSETS</b>		
Investments, at fair value (Note 3)	\$ 20,329,000	\$ 20,250,000
Adjustment from fair value to contract value for fully benefit-responsive investment contract (Note 2)	<u>31,000</u>	<u>69,000</u>
Net assets available for benefits	<u>\$ 20,360,000</u>	<u>\$ 20,319,000</u>

The accompanying notes are an integral part of these financial statements.

**COMARCO, INC.  
SAVINGS AND RETIREMENT PLAN**

**STATEMENTS OF CHANGES IN NET ASSETS AVAILABLE FOR BENEFITS**

	<b>Years ended December 31,</b>		
	<b>2007</b>	<b>2006</b>	<b>2005</b>
Net assets available for benefits, beginning of year	<u>\$ 20,319,000</u>	<u>\$ 18,767,000</u>	<u>\$ 17,498,000</u>
Additions:			
Contributions:			
Employer	400,000	438,000	407,000
Employee	675,000	724,000	692,000
Rollovers	42,000	4,000	65,000
Interest and dividends	1,480,000	1,229,000	683,000
Net realized and unrealized appreciation of investments	—	659,000	963,000
Other income	3,000	2,000	3,000
Total additions	<u>2,600,000</u>	<u>3,056,000</u>	<u>2,813,000</u>
Deductions:			
Plan distributions	2,104,000	1,503,000	1,541,000
Administrative expenses	1,000	1,000	3,000
Net realized and unrealized depreciation of investments	454,000	—	—
Total deductions	<u>2,559,000</u>	<u>1,504,000</u>	<u>1,544,000</u>
Net increase	41,000	1,552,000	1,269,000
Net assets available for benefits, end of year	<u>\$ 20,360,000</u>	<u>\$ 20,319,000</u>	<u>\$ 18,767,000</u>

The accompanying notes are an integral part of these financial statements.

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**COMARCO, INC.**  
**SAVINGS AND RETIREMENT PLAN**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2007, 2006 AND 2005**

**1. Description of the Plan**

The following description of the Comarco, Inc. Savings and Retirement Plan (the "Plan") provides only general information. Participants should refer to the Plan agreement for a more complete description of the Plan's provisions.

*General*

The Plan is a defined contribution plan covering substantially all full-time employees of Comarco, Inc. and subsidiaries ("the Company" or "the Plan Sponsor") who have at least 30 days of service and are age 18 or older. Employees are eligible to participate in the Plan on the first of the month following 30 days of service. The Plan is subject to the provisions of the Employee Retirement Income Security Act of 1974 (ERISA). For Plan purposes, all participants are employed by Comarco Wireless Technologies, Inc. ("Wireless").

*Contributions*

Employee contributions to the Plan may range from 1% to 20% of eligible earnings for participants of Comarco, Inc. and Wireless, subject to certain limitations. The Company contributes 100% of the first 5% of earnings that a participant contributes to the Plan. In addition, the Company may, at its discretion, make an additional contribution each year to the Plan. There were no discretionary contributions made to the Plan during each of the years in the three year period ended December 31, 2007. Contributions are subject to certain limitations.

*Participant Accounts*

Each participant's account is credited with the participant's contribution and allocations of the Company's matching contribution plus Plan earnings less Plan expenses not paid by the Company. Allocations are based on participant earnings or account balances, as defined. The benefit to which a participant is entitled is the benefit that can be provided from the participant's account.

*Loans*

Effective January 1, 2000, the Plan permits participants to obtain two loans from their account balances, subject to certain IRS limitations. The loans are repaid over fixed time periods covering up to 5 years (15 years for the purchase of a principal residence) with interest rates ranging from 6.0% to 10.25%. All loans are secured by the participant's account balance.

*Vesting*

Participants are vested immediately in their voluntary contributions plus actual earnings thereon. Company contributions plus actual earnings thereon generally vest ratably over a four year period.

*Forfeited Amounts*

At December 31, 2007 and 2006, forfeited non-vested accounts totaled \$142,000 and \$124,000, respectively. These accounts can be used to restore the accounts of former participants or reduce Plan expenses or Company contributions. In 2007, 2006, and 2005, Company contributions totaling \$62,000, \$0, and \$0 were made from forfeited non-vested accounts, respectively.

*Payment of Benefits*

On termination of service due to death, disability or retirement, a participant may elect to receive either a lump-sum amount equal to the value of his or her account, annual installments, or annuity payments if the participant was hired before January 1, 1989. Participants with accrued benefits greater than \$5,000 may elect to delay receiving benefits until reaching age 70 1/2.

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**COMARCO, INC.**  
**SAVINGS AND RETIREMENT PLAN**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2007, 2006 AND 2005**

*Investment Options*

As of December 31, 2007, participant contributions to the Plan can be made to one of the twenty one investment options (ML Ret Preservation Trust, Loomis Sayles Bond Fund Admin, Lord Abbett Small Cap Value FD P, Hotchkis & Wiley Large Cap Value A, Alliancebern Sml/Mid Val CL A, American Cap World Growth & Income R3, American Growth FD of Amer R3, American Income FD OF, DWS Rreef Real Estate Sec, DWS Dreman Small Cap Value, BlackRock Govt Inc A, Oppenheimer Dev Mkts FD CL A, BlackRock S&P 500 Index, Thornburg Inter Value FD A, Fidelity Adv Small Cap FD CL T, Davis NY Venture FD CL A, Davis Series Financial FD CL A, EV Worldwide Health Sciences, Seligman Comm & Info FD CL A, Calvert Income Fund, or Comarco, Inc. Common Stock) as designated by the participant.

**2. Significant Accounting Policies**

*Basis of Accounting*

The Plan prepares its financial statements on the accrual basis of accounting.

As described in FASB Staff Position FSP AAG INV-1 and Statement of Position No. 94-4-1, Reporting of Fully Benefit-Responsive Investment Contracts Held by Certain Investment Companies Subject to the AICPA Investment Company Guide and Defined-Contribution Health and Welfare and Pension Plans (the "FSP"), investment contracts held by a defined-contribution plan are required to be reported at fair value. However, contract value is the relevant measurement attribute for that portion of the net assets available for benefits of a defined-contribution plan attributable to fully benefit-responsive investment contracts because contract value is the amount participants would receive if they were to initiate permitted transactions under the terms of the plan. As required by the FSP, the Statement of Net Assets Available for Benefits presents the fair value of the investment contracts as well as the adjustment of the fully benefit-responsive investment contracts from fair value to contract value. The Statement of Changes in Net Assets Available for Benefits is prepared on a contract value basis.

*Accounting Pronouncements*

In September 2006, the FASB issued Statement on Financial Accounting Standards No. 157 ("SFAS 157"), Fair Value Measurements. SFAS 157 establishes a single authoritative definition of fair value, sets out a framework for measuring fair value, and requires additional disclosures about fair value measurement. SFAS 157 is effective for financial statements issued for fiscal years beginning after November 15, 2007. The Company does not believe the adoption of SFAS 157 will have a material impact on the financial statements.

*Non Distributed Benefits*

The Plan does not accrue non-distributed benefits related to participants who have withdrawn from the Plan, but recognizes such benefits as a deduction from net assets in the period in which such benefits are paid.

*Investment Valuation and Income Recognition*

The mutual funds and Comarco, Inc. common stock are valued at the quoted market prices. The common / collective trust fund is valued by a financial institution and is based on the quoted market values of the underlying investments held by the fund. In accordance with Statement of Position No. 94-4-1 the common / collective trust fund is adjusted to contract value. The difference between cost and fair value of investments is recognized as a realized gain or loss at the date of disposition using the first-in, first-out method. Purchases and dispositions are recorded on a trade-date basis. Dividends are recorded on the ex-dividend date. Participant loans are valued at cost which approximates fair value.

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**COMARCO, INC.  
SAVINGS AND RETIREMENT PLAN  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2007, 2006 AND 2005**

*Use of Estimates*

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and changes therein, and disclosure of contingent assets and liabilities. Actual results could differ from those estimates.

*Contribution Funding*

Participant contributions and employer matching contributions are funded on a bi-weekly basis.

**COMARCO, INC.**  
**SAVINGS AND RETIREMENT PLAN**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2007, 2006 AND 2005**

**3. Investments**

All amounts contributed to the Plan have been deposited with the Funding Agent, Merrill Lynch Trust Company, FSB. The following table presents the fair values of investments. Investments that represent 5% or more of the Plan's net assets are separately identified.

Identity of Party and Description of Asset	December 31,			
	2007		2006	
	Shares/ Units	Fair Value	Shares/ Units	Fair Value
<b>Cash and Cash Equivalents:</b>				
Cash	—	\$ 169,000	—	\$ 1,000
<b>Common/Collective Trust Fund:</b>				
ML RET Preservation Trust	3,364,000	3,334,000*	3,688,000	3,619,000*
<b>Mutual Funds:</b>				
Loomis Sayles Bond Fund Admin	8,000	111,000	32,000	452,000
Lord Abbett Small Cap Value FD P	13,000	349,000	10,000	308,000
Hotchkis & Wiley Large Cap Val	110,000	2,226,000*	103,000	2,602,000*
American Cap World GR & INC	9,000	385,000	5,000	191,000
American Growth FD of Amer R3	95,000	3,193,000*	91,000	2,961,000*
American Income FD OF	10,000	198,000	28,000	562,000
DWS Rreef Real Estate Sec	5,000	88,000	4,000	112,000
DWS Dreman Small Cap Value	11,000	380,000	17,000	645,000
BlackRock Govt Inc Port CL A	69,000	739,000	56,000	599,000
Oppenheimer Dev Mkts FD CL A	23,000	1,123,000*	20,000	832,000
Alliancebern Sml/Mid Value CL A	14,000	212,000	—	—
BlackRock S&P 500 Index	63,000	1,133,000*	60,000	1,038,000*
Thornburg Inter Value FD A	73,000	2,435,000*	62,000	1,768,000*
Fidelity Adv Small Cap FD CL T	111,000	2,657,000*	118,000	2,614,000*
Davis NY Venture FD CL A	11,000	424,000	5,000	207,000
Davis Series Financial FD CL A	1,000	25,000	—	16,000
EV Worldwide Health Sciences	4,000	38,000	2,000	28,000
Seligman Comm & Info FD CL A	1,000	45,000	1,000	21,000
Calvert Income Fund	2,000	26,000	1,000	11,000
Allianz OCC Renaissance Fund A	—	—	6,000	118,000
Total Mutual Funds		15,787,000		15,085,000
Comarco, Inc. Common Stock	170,000	948,000	168,000	1,429,000*
Participant Loans		91,000		116,000
Total Investments		\$ 20,329,000		\$ 20,250,000

\* Represents 5% or more of Plan net assets.

**4. Expenses of the Plan**

The Plan provides that all reasonable expenses for custodial costs and fees incurred for the benefit of the Plan are to be paid by the Plan to the extent that they are not paid by the Company.

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**COMARCO, INC.**  
**SAVINGS AND RETIREMENT PLAN**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2007, 2006 AND 2005**

**5. Income Tax Status**

The Internal Revenue Service has determined and informed the Company by letter dated October 14, 2005, that the Plan and all amendments adopted from September 25, 1995 to September 20, 2005, and the related trust are designed in accordance with the applicable sections of the Internal Revenue Code.

**6. Plan Termination**

The Company intends to continue the Plan indefinitely but reserves the right at any time to terminate the Plan subject to the provisions of ERISA. In the event of Plan termination, participants would become 100% vested in their employer contributions.

**7. Party-in-Interest**

The Plan allows participants to invest in the Company's equity securities. As of December 31, 2007 and 2006 the Plan held 170,000 and 168,000 shares, respectively, of Comarco, Inc. common stock.

Certain Plan investments are managed by Merrill Lynch Trust Company, FSB or its affiliate. Merrill Lynch Trust Company, FSB is the trustee as defined by the Plan and, therefore, these transactions qualify as party-in-interest transactions.

**8. Risks and Uncertainties**

The Plan provides for various investment options in any combination of stocks, bonds, fixed-income securities, mutual funds, and other investment securities. Investment securities are exposed to various risks, such as interest rate, market, and credit. Due to the level of risk associated with certain investment securities and the level of uncertainty related to changes in the value of investment securities, it is at least reasonably possible that changes in risks in the near term would materially affect participants' account balances, the amounts reported in the statements of net assets available for benefits and the statements of changes in net assets available for benefits.

**COMARCO, INC.**  
**SAVINGS AND RETIREMENT PLAN**  
**Supplemental Schedule**  
**Schedule H, Line 4i - Schedule of Assets (Held at End of Year)**  
**December 31, 2007**  
**FEIN: 95-2088894**  
**Plan Number: 001**

(a)	(b)	(c)	(d)	(e)
Identity of issue, borrower, lessor, or similar party	Description of investment including maturity date, rate of interest, collateral, par or maturity value	Cost	Fair Value	
*	Merrill Lynch	Cash	**	\$ 169,000
*	Merrill Lynch	ML RET Preservation Trust, 3,363,986 shares	**	3,334,000
	Loomis Sayles	Loomis Sayles Bond Fund Admin, 7,660 shares	**	111,000
	Lord Abbett	Lord Abbett Small Cap Value FD P, 12,630 shares	**	349,000
	Hotchkis & Wiley	Hotchkis & Wiley Large Cap Value A, 109,634 shares	**	2,226,000
	American Funds	American Cap World GR & INC R3, 8,670 shares	**	385,000
	American Funds	American Growth FD of Amer R3, 95,243 shares	**	3,193,000
	American Funds	American Income FD OF, 10,236 shares	**	198,000
	DWS	DWS Rreef Real Estate Sec, 4,621 shares	**	88,000
	DWS	DWS Dreman Small Cap Value FD A, 10,979 shares	**	380,000
	BlackRock	BlackRock Govt Inc Port CL A, 69,265 shares	**	739,000
	Oppenheimer	Oppenheimer Dev Mkts FD CL A, 23,075 shares	**	1,123,000
	BlackRock	BlackRock S&P 500 Index Fund, 62,894 shares	**	1,133,000
	Thornburg	Thornburg Inter Value FD A, 73,355 shares	**	2,435,000
	Fidelity	Fidelity Adv Small Cap FD CL T, 110,575 shares	**	2,657,000
	Davis	Davis NY Venture FD CL A, 10,602 shares	**	424,000
	Davis	Davis Series Financial FD CL A, 612 shares	**	25,000
	Eaton Vance	EV Worldwide Health Sciences, 3,711 shares	**	38,000
	Seligman	Seligman Comm & Info FD CL A, 1,184 shares	**	45,000
	Calvert	Calvert Income Fund, 1,604 shares	**	26,000
	Alliance Bernstein	Alliancebern Sml/Mid Value CL A, 13,891 shares	**	212,000
*	Comarco, Inc.	Comarco, Inc. Common Stock 169,906 shares	**	948,000
*	Plan Participants	Participant Loans Various dates and rates of 6.0% to 10.25%	\$0	91,000
		Total Investments		\$ 20,329,000

\* Party-in-interest

\*\* Historical cost information is not required for participant directed investment funds

See accompanying Report of Independent Registered Public Accounting Firm and notes to financial statements.

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**COMARCO, INC.  
SIGNATURES**

Pursuant to the requirements of the Securities Exchange Act of 1934, the Administrator has duly caused this annual report to be signed by the undersigned thereunto duly authorized.

COMARCO, INC. SAVINGS AND RETIREMENT PLAN

/s/ SAMUEL M. INMAN, III

**Samuel M. Inman, III**  
**President and Chief Executive Officer**  
**Comarco, Inc.**

June 27, 2008

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**Exhibit Index**

<u>Exhibit Number</u>	<u>Description</u>
23.1	Consent of Independent Registered Public Accounting Firm – Lesley, Thomas, Schwarz & Postma, Inc. *

\* Filed herewith

**CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM**

COMARCO, Inc.  
Lake Forest, California

We consent to incorporation by reference in the Registration Statement (No. 33-44943) on Form S-8 of Comarco, Inc. of our report dated June 26, 2008, with respect to the statements of net assets available for benefits of Comarco, Inc. Savings and Retirement Plan as of December 31, 2007 and 2006 and the related statements of changes in net assets available for benefits for each of the years ended December 31, 2007, 2006 and 2005 and the related supplemental schedule which report appears in the December 31, 2007 annual report on Form 11-K of Comarco, Inc. Savings and Retirement Plan.

/s/ Lesley, Thomas, Schwarz & Postma, Inc.

Newport Beach, California  
June 26, 2008

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