

COMARCO, INC.

AUDIT AND FINANCE COMMITTEE CHARTER

I. MEMBERSHIP

- A. The Audit and Finance Committee (the “Committee”) of the Board of Directors (the “Board”) of COMARCO, Inc. (together with its subsidiaries, the “Company”) shall consist of at least three directors whose qualifications include financial literacy, independence and accounting or related financial expertise as determined under the Sarbanes-Oxley Act (the “Act”) and applicable rules of the Nasdaq Stock Market, Inc. (“NASDAQ”) and the Securities and Exchange Commission (“SEC”). Each member of the Committee must be “independent,” or qualify for an exemption from the independence requirement, under the applicable rules of the NASDAQ and SEC. At least one member of the Committee must be a “financial expert” as determined under the requirements of the rules of the NASDAQ and SEC.
- B. No member of the Committee may serve on the audit committee of more than three public companies, including the Company, unless the Board determines that such simultaneous service will not impair the ability of such member to effectively serve on the committee.
- C. No member of the Committee may have participated in the preparation of the financial statements of the Company at any time during the last three years.
- D. No member of the Committee shall receive compensation other than for service as a director of the Company, including reasonable compensation for serving on the Committee and other benefits applicable to all directors of the Company.

II. PURPOSE

- A. The Committee serves as the representative of the Board for the general oversight of Company affairs relating to:
 - 1. The quality and integrity of the Company’s financial statements;
 - 2. The Company’s compliance with legal and regulatory requirements;
 - 3. The accounting and financial reporting processes and the audits of the Company’s financial statements;
 - 4. The independent auditor’s qualifications and independence; and
 - 5. The performance of the Company’s independent auditors.

- B. Through its activities, the Committee facilitates open communication among directors, independent auditors and management by meeting in private session regularly with these parties.
- C. The Committee also provides oversight regarding significant financial matters, including borrowings, currency exposures, dividends, share issuance and repurchases, and the financial aspects of the Company's benefit plans.

III. MEETINGS AND PROCEDURES

- A. The Committee shall convene at least four times each year.
- B. The Committee shall endeavor to determine that auditing procedures and controls are adequate to safeguard Company assets and to assess compliance with Company policies and legal requirements, including the Company's Code of Ethics for Senior Financial Officers, a copy of which is attached hereto as Exhibit A.
- C. The Committee shall be given full access to the Company's Board Chairman, Company executives and independent auditors. When any audit has been prepared by the Company's independent auditor, the Committee shall timely receive a report from the independent auditor on (1) all critical accounting policies and practices; (2) all alternative treatments of financial information within generally accepted accounting principles that have been discussed with management officials of the Company, ramifications of the use of such alternative disclosures and treatments, and the treatment preferred by the independent auditor; and (3) other material written communications between the independent auditor and Company management, such as any management letter or schedule of unadjusted differences.

IV. RESPONSIBILITIES

- A. The Committee shall:
 - 1. Have the sole authority to select, compensate, oversee, evaluate and, where appropriate, replace the independent auditor.
 - 2. Annually review and approve the proposed scope of each fiscal year's outside audit at the beginning of each new fiscal year.
 - 3. Inform the independent auditor performing work for the Company that such firm shall report directly to the Committee.
 - 4. Oversee the work of any independent auditor employed by the Company, including the resolution of any disagreement between management and the independent auditor regarding financial reporting, for the purpose of preparing or issuing an audit opinion or related work.

5. Review and approve in advance any audit and non-audit services and fees to be provided by the Company's independent auditor, other than prohibited non-auditing services and audit services for de minimus amounts, as provided in the Act. The Committee has the sole authority to make these approvals, although such approval may be delegated to any committee member so long as the approval is presented to the full Committee at its next scheduled meeting.
6. At, or shortly after the end of each fiscal year, review with the independent auditor and Company management the audited financial statements and related opinion, related disclosures, including the MD&A portion of the Company's filings, and review the effectiveness of the independent audit, including the costs for that year's audit.
7. Establish and oversee procedures for the proper accounting and auditing, as required, of the Company's benefit plans.
8. Provide any recommendations, certifications and reports that may be required by the NASDAQ or the SEC, including the report of the Committee that must be included in the Company's annual proxy statement.
9. Review and discuss the annual audited financial statements and quarterly financial statements with management and the independent auditor.
10. Establish and oversee procedures for (a) the receipt, retention, and treatment of complaints received by the Company regarding accounting, internal accounting controls, or auditing matters; and (b) the confidential anonymous submission by employees of the Company of concerns regarding questionable accounting or auditing matters. The Company's policy for complaints regarding Accounting and Audit Concerns is attached hereto as Exhibit B.
11. Have the authority to engage independent counsel and other advisers as it determines necessary to carry out its duties.
12. Be provided the appropriate funding by the Company, as determined by the Committee, in its capacity as a committee of the Board, for payment of (a) compensation to the independent auditor engaged by the Company for the purpose of rendering or issuing the audit report or performing other services approved by the Committee; (b) compensation to outside advisers retained by the Committee; and (c) ordinary administrative expenses of the Committee that are necessary or appropriate in carrying out its duties.
13. Ensure the rotation of the lead audit partner at least every five years.

14. Confirm with any independent auditor retained to provide audit services for any fiscal year that the lead (or coordinating) audit partner (having primary responsibility for the audit), or the audit partner responsible for reviewing the audit, has not performed audit services for the Company in each of the five previous fiscal years of the Company and that the firm meets all legal and professional requirements for independence.
15. Obtain on an annual basis a formal written statement from the independent auditor delineating all relationships between the independent auditor and the Company, consistent with the Independence Standards Board Standard 1, and review and discuss with the independent auditor any disclosed relationships or services which may affect the independent auditor's objectivity and independence.
16. Take, or recommend that the full board take appropriate action to oversee the independence of the independent auditor.
17. Discuss with management and the independent auditor the Company's policies with respect to risk assessment and risk management.
18. Meet separately and periodically with management and with the independent auditor to discuss various topics and events that may have significant financial impact on the Company or that are the subject of discussions between management and the independent auditor.
19. In consultation with the independent auditor and management, review the integrity of the Company's financial reporting process.
20. Review periodically the effect of regulatory and accounting initiatives, issues, changes, estimates, judgments, unusual items, and off-balance sheet structures, on the financial statements of the Company and review the report of the independent auditor on such subjects delivered to the Committee pursuant to Section 10A(k) of the Act.
21. Review with the independent auditor (a) any audit problems or other difficulties encountered by the independent auditor in the course of the audit process, including any restrictions on the scope of the independent auditor's activities or on access to requested information, and any significant disagreements with management and (b) management's responses to such matters.
22. Set clear employee hiring policies for any former employee of the independent auditor. At a minimum, these policies should provide that any independent auditor engaged by the Company may not provide audit services to the Company if the Chief Executive Officer, Controller, Chief Financial Officer, Chief Accounting Officer or any person serving in an

equivalent capacity for the Company, was employed by the independent auditor and participated in the audit of the Company within one year of the initiation of the current audit.

23. Review and approve or ratify all related party transactions to which the Company is a party, in accordance with the Policy regarding Related Party Transactions adopted by the Board.
24. Report regularly to the Board. Such report to the Board may take the form of an oral report by the Chairman of the Committee or any other member of the Committee designated by the Committee to make such report.
25. Perform a review and evaluation, at least annually, of the performance of the Committee.
26. Review and reassess, at least annually, the adequacy of this Charter and recommend to the Board any improvements to this Charter that the Committee considers necessary or valuable.
27. Conduct such evaluations and reviews in such manner as it deems appropriate.

EXHIBIT A
CODE OF ETHICS
FOR
SENIOR FINANCIAL OFFICERS
OF COMARCO, INC.

This Code of Ethics applies to the Chief Executive Officer, Chief Financial Officer, Principal Accounting Officer or Controller, and Treasurer (individually, a “Senior Financial Officer” and collectively, the “Senior Financial Officers”) of COMARCO, Inc. (together with its subsidiaries, the “Company”). The purpose of this Code of Ethics is to promote honest and ethical conduct and compliance with the law, particularly as related to the maintenance of the Company’s financial records and the preparation of financial statements filed with the Securities and Exchange Commission (the “SEC”). The obligations of this Code of Ethics supplement, but do not replace, the Company’s Code of Business Conduct and Ethics applicable to all employees, officers and directors.

1. Senior Financial Officers are expected to carry out their responsibilities honestly and with the highest standards of professional integrity, exercising at all times their best independent judgment.
2. Senior Financial Officers shall comply with the Company’s Code of Business Conduct and Ethics, including but not limited to its provisions relating to:
 - (a) the ethical handling of actual or apparent conflicts of interest between personal and professional relationships;
 - (b) the full, fair, accurate, timely and understandable disclosure in reports and documents the Company files with or submits to the SEC and any other regulator and in other public communications;
 - (c) compliance with applicable governmental laws, rules and regulations;
 - (d) the prompt internal reporting of violations of the Code of Business Conduct and Ethics to the person or persons designated in the Code of Business Conduct and Ethics; and
 - (e) accountability for adherence to the Code of Business Conduct and Ethics.
3. Each Senior Financial Officer must avoid taking any action to fraudulently influence, coerce, manipulate or mislead any independent public auditor of the

Company for the purpose of rendering the financial statements of the Company misleading.

4. The Senior Financial Officers are responsible for promptly bringing to the attention of the Chairman of the Audit Committee or the full Board of Directors:
 - (a) Any matters that could compromise the integrity of the Company's financial reports;
 - (b) Any disagreement with respect to any material accounting matter; and
 - (c) Any violation of this Code of Ethics or of any law or regulation related to the Company's accounting or financial affairs.
5. No Senior Financial Officer may discharge, demote, suspend, threaten, harass, or in any other manner discriminate against an employee in the terms and conditions of employment because of any lawful act done by the employee (i) to provide information, cause information to be provided or otherwise assist in an investigation regarding any conduct which the employee reasonably believes constitutes a violation of law, including any rule or regulation of the SEC, or any provision of federal law relating to fraud against shareholders; (ii) to file, cause to be filed, testify, participate in, or otherwise assist in a proceeding filed or about to be filed (with any knowledge of the employer) relating to an alleged violation of law, including any rule or regulation of the SEC, or any provision of federal law relating to fraud against shareholders; or (iii) to make any report pursuant to the Company's Procedures for Reporting Complaints About Accounting and Auditing Matters.
6. Any waiver of this Code of Ethics may be made only by our Board of Directors and will be promptly disclosed as required by law or the applicable rules of the NASDAQ.
7. The Board of Directors will investigate or cause to be investigated alleged violations of this Code of Ethics. The Board will provide any Senior Financial Officer who is alleged to have violated this Code of Ethics a fair opportunity to be heard regarding his or her alleged conduct. The Board will take appropriate action if the Board determines as a result of its investigation that a violation of this Code of Ethics occurred.
8. Each Senior Financial Officer understands that he or she will be held accountable for adherence to this Code of Ethics. A failure by any Senior Financial Officer to comply with the laws or regulations governing the Company's business, this Code of Ethics, the Standards of Business Policy or any other Company policy or requirement, may result in disciplinary action, including termination and, if warranted, legal proceedings. In addition, violations of this Code of Ethics may

also constitute violations of law and may result in civil and criminal penalties for the Company, the Senior Financial Officer and the Company's other executive officers.

EXHIBIT B
COMARCO, INC.
POLICY FOR COMPLAINTS REGARDING
ACCOUNTING AND AUDIT CONCERNS

Under federal securities laws, the Audit Committee of the Board of Director's (the "Audit Committee") of COMARCO, Inc. (together with its subsidiaries, the "Company") must establish procedures for: (a) receiving, retaining and treating complaints (from any source) regarding the Company's accounting, internal accounting controls, or auditing matters; and (b) the confidential, anonymous submission by the Company's employees of concerns regarding questionable accounting or auditing matters. The matters referred to in (a) and (b) above are referred to herein, collectively, as "Accounting and Audit Concerns."

The Company is committed to achieving compliance with all applicable securities laws and regulations, accounting standards, accounting controls and audit practices. Accordingly, the Audit Committee has adopted this Policy in order to facilitate the confidential, anonymous reporting by employees and any other persons regarding any Accounting and Audit Concerns. Any employee of the Company may submit to the Company a good faith complaint regarding, and cooperate and assist in the investigation of any, Accounting and Audit Concerns without fear of dismissal or retaliation of any kind.

Definition of Accounting and Audit Concerns

Accounting and Audit Concerns relate to any questionable accounting or auditing matters, including, without limitation, the following:

- fraud or other intentional violations of federal securities laws or regulations, including deliberate error in the recording and maintaining of financial records of the Company;
- deficiencies in or noncompliance with the Company's internal accounting controls;
- fraud or deliberate error in the preparation, evaluation, review or audit of any financial statement of the Company;
- misrepresentation or false statement to or by any senior officer or accountant regarding a matter contained in the financial records, financial reports or audit reports of the Company; or
- deviation from full and fair reporting of the Company's financial condition.

The above list is provided for illustrative purposes only and should not be interpreted as limiting the types of Accounting and Audit Concerns that employees and others should report.

Compliance Hotline Reporting

The Company has established a Compliance Hotline operated by CCBN (an independent company) as a means of receiving and directing concerns from employees and any other persons relating to Accounting and Auditing Concerns. Confidential, anonymous reports of Accounting and Audit Concerns may be made 24 hours a day, seven days a week by calling the Compliance Hotline at: (800) 792-8138.

CCBN's personnel will answer all calls made to the Compliance Hotline, and have the experience to elicit necessary details to produce an actionable report. Each caller may choose either to remain anonymous or give his or her name with the report of any Accounting and Auditing Concern. CCBN will make a written record of the content of each caller's report as well as a voice recording of the telephone call (which will be disguised for anonymity) and forward both to the Audit Committee Chairman and the Company's Corporate Secretary.

Responsibility of Audit Committee

The Audit Committee is responsible, as a group or by delegating to any individual member, for determining, depending on the credibility and significance of any report received, whether to:

- (a) gather any additional information regarding the matters addressed in each report from the complainant (if not anonymous), from the Company or from any other relevant source;
- (b) delegate further investigation of any report to the Chief Executive Officer Chief Financial Officer or Corporate Secretary;
- (c) employ (at the Company's expense) an independent third party (including outside legal counsel, if necessary) to investigate any report; or
- (d) employ some combination of the foregoing.

Finally, the Audit Committee, as a group, will each review the results of the investigation and reports received during each quarter to determine, among other things, whether there are any patterns within any reports that suggest that such pattern or report should be investigated further.

Responsibility of Company Personnel

Management shall post a copy of this Policy on the Company's external website and also shall promptly announce to the Company's employees and others via the website any changes to the Compliance Hotline relating to Accounting and Audit Concerns.

The Corporate Secretary shall be responsible for retaining copies of all reports and any investigative materials related thereto. In the event of any government investigation proceeding or any litigation related to such report, all documents shall be retained at least until the end of the investigation or proceeding.