

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 8-K

Current Report
Pursuant to Section 13 or 15(d)
of the Securities Exchange Act of 1934

Date of Report (Date of earliest event reported): December 6, 2007

SAVE THE WORLD AIR, INC.

(Exact name of registrant as specified in charter)

Nevada
(State or other jurisdiction
of incorporation)

0-29185
(Commission File Number
Identification No.)

52-2088326
(IRS Employer)

235 Tennant Avenue, #5, Morgan Hill, California 95037
(Address of principal executive offices) (Zip Code)

Registrant's telephone number, including area code: (818) 487-8000

Not Applicable
(Former name or former address, if changed since last report)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions (see General Instruction A.2. below):

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
 - Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
 - Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
 - Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))
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Item 1.01 Entry into a Material Definitive Agreement

As previously reported in our form 8-K, dated and filed August 30, 2007, Save the World Air, Inc. (the Company") and certain individuals (collectively, the "Investors") entered into a Modification Agreement dated as of August 29, 2007 (the "Modification Agreement"), pursuant to which the Company agreed to amend certain terms and conditions in respect of its 10% convertible promissory notes (the "PIPE Notes") and stock purchase warrants (the "PIPE Warrants") sold to the Investors pursuant to a private offering earlier in 2007 (the "2007 PIPE Offering"). A copy of the Modification Agreement is filed herewith.

The Modification Agreement was amended between the Company and Investors as of November 30, 2007 (the "Second Modification Agreement"). A copy of the Second Modification Agreement is also filed herewith.

Pursuant to the Second Modification Agreement, the Company and Investors have agreed as follows:

1. In consideration of the Second Modification Agreement, the Investors have agreed to forgive all accrued interest on their PIPE Notes, from the date of issuance thereof through December 14, 2007.
 2. On December 14, 2007, the Company agreed to pay all Investors 50% of the principal amount of their original PIPE Notes which equals a total cash repayment of \$200,000. Additionally, in repayment of the other 50% of the principal amount of the original PIPE Notes, the Company, on December 14, 2007, agreed to issue to Investors a total of 1,060,000 shares of the Company's common stock (the "Conversion Shares").
 3. Concurrently with the cash payment and the issuance of the Conversion Shares as noted in paragraph 2, above, the Investors agreed to deliver to the Company the original of the PIPE Notes, which will be marked and deemed cancelled and of no further force or effect.
 4. In further consideration of the above terms and conditions, the Investors have agreed that the Company shall not be required to, and shall not, file a Registration Statement with the Securities and Exchange Commission or any state securities agency to register or qualify the PIPE Notes, the Conversion Shares, the PIPE Warrants, or any shares issuable pursuant to the PIPE Warrants (the "Warrant Shares"). The Conversion Shares and Warrant Shares when issued will be deemed restricted securities and bear appropriate legends.
 5. The terms and conditions of the PIPE Warrants, to the extent not expressly amended in the Second Modification Agreement, shall remain in full force and effect in furtherance of the terms and conditions set forth in the Modification Agreement.
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Item 9.01 Financial Statements and Exhibits

- 10.1 Modification Agreement dated as of August 29, 2007, between the Company and the Investors named therein.
- 10.2 Second Modification Agreement dated as of November 30, 2007, between the Company and the Investors named therein.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

Date: December 10, 2007

SAVE THE WORLD AIR, INC.

By: /s/ Charles R. Blum

Charles R. Blum
President and Chief Executive Officer

MODIFICATION AGREEMENT

THIS MODIFICATION AGREEMENT (the "Agreement") is made and entered into as of August 29, 2007 by and between Save the World Air, Inc. (the "Company") and the individuals and entities whose signatures are set forth below at the end of this Agreement (the "Investors").

WHEREAS, pursuant to the Confidential Private Placement Memorandum dated January 12, 2007, (the "Offering Memorandum"), the Company entered into promissory notes (the "Notes") with the Investors pursuant to which the Company borrowed a total of \$400,000 from the Investors; and

WHEREAS, among other things, the Company was obligated to file a registration statement (the "Registration Statement") registering the Conversion Shares and Warrant Shares on or before July 2, 2007, and such Registration Statement was not filed by such date, resulting in certain consequences thereafter; and

WHEREAS, the Company and the Investors desire to modify certain of the terms and provisions of the Notes as set forth in this Agreement.

NOW, THEREFORE, in consideration of the mutual promises and covenants contained herein, and other good and valuable consideration, the receipt and sufficiency of which is acknowledged, the Company and the Investors agree as follows:

1. Definitions.

All terms not defined herein shall have the meaning ascribed to them in the Offering Memorandum.

2. Registration Rights.

Promptly, but no later than November 30, 2007, the Company shall file the Registration Statement with the Securities and Exchange Commission (the "SEC") to register the Conversion Shares and the Warrant Shares.

3. Interest Rate of Notes.

In consideration of this Agreement, effective August 1, 2007, the interest rate on the Notes shall be increased to 18% per annum until such time as the Registration Statement is declared effective by the SEC.

4. Conversion Price.

In consideration of this Agreement, the Conversion Price for all Conversion Shares shall be amended to be \$0.45 per share.

5. Warrants.

In consideration of this Agreement, each Investor shall receive, for no additional consideration, Warrants ("Additional Warrants") in an amount equal to an additional 50% of the Warrants originally issued pursuant to the terms of the Offering Memorandum. The Additional Warrants shall have the same registration rights as are described in the Offering Memorandum applicable to the Warrants, shall be exercisable immediately upon issuance, shall remain exercisable for a period of five years from the date of this Agreement, on a cash basis only, at an initial exercise price of \$0.45 per share and shall, in all other respects, have the same terms and conditions, and be in the same form, as the Warrants.

6. Filing Delays.

If the Company does not file the Registration Statement with the SEC by November 30, 2007, each Investor shall receive, for no additional consideration, Warrants ("Delay Warrants") in an amount equal to an additional 50% of the Warrants originally issued pursuant to the terms of the Offering Memorandum. The Delay Warrants shall have the same registration rights as are described in the Offering Memorandum applicable to the Warrants, shall be exercisable immediately upon issuance, shall remain exercisable for a period of five years from the date of this Agreement, on a cash basis only, at an initial exercise price of \$0.45 per share and shall, in all other respects, have the same terms and conditions, and be in the same form, as the Warrants.

7. Other Provisions Unaffected.

The terms and conditions of the Offering Memorandum, the Notes and the Warrants, to the extent not expressly amended in this Agreement, shall remain in full force and effect.

8. Counterparts.

This Agreement may be executed in counterpart copies, all of which taken together shall be deemed to be a single agreement.

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IN WITNESS WHEREOF, each of the Company and the Investors has caused this Agreement to be executed as of the date first set forth hereinabove.

THE COMPANY:

SAVE THE WORLD AIR, INC.

/s/ CHARLES R. BLUM

Name: Charles R. Blum

Title: President and Chief Executive Officer

INVESTORS:

/s/ PHILLIP A. COLE

Name: Phillip A. Cole

/s/ RICHARD BINS

Name: Richard Bins

/s/ LOIS A. BINS

Name: Lois A. Bins

/s/ HENRY ARNEBOLD

Name: Henry Arnebold

/s/ NANCY ARNEBOLD

Name: Nancy Arnebold

/s/ FRANK JORDAN

Name: Frank Jordan

/s/ ROBERT KATZ

Name: Robert Katz

/s/ JAN FREDRIKSSON

Name: Jan Fredriksson

/s/ EARL POMBERG

Name: Earl Pomberg

SECOND MODIFICATION AGREEMENT

THIS SECOND MODIFICATION AGREEMENT (the "Second Modification Agreement") is made and entered into as of November 30, 2007 by and between Save the World Air, Inc. (the "Company") and the individuals and entities whose signatures are set forth below at the end of this Second Modification Agreement (the "Investors").

WHEREAS, pursuant to the Confidential Private Placement Memorandum dated January 12, 2007, (the "Offering Memorandum"), the Company entered into promissory notes (the "Notes") with the Investors pursuant to which the Company borrowed a total of \$400,000 from the Investors; and

WHEREAS, among other things, the Company was obligated to file a registration statement (the "Registration Statement") registering the Conversion Shares and Warrant Shares on or before July 2, 2007, and such Registration Statement was not filed by such date, resulting in certain consequences thereafter; and

WHEREAS, the Company and the Investors on August 29, 2007 entered into a Modification Agreement (the "Modification Agreement") which extended the date to file the Registration Statement to November 30, 2007; increased the interest rate to 18% effective August 1, 2007; reduced the Conversion Price to \$0.45 per share and provided for the issuance of Additional Warrants and Delay Warrants each in an amount equal to 50% of the Warrants originally issued. The Additional Warrants and the Delay Warrants are exercisable immediately upon issuance, shall remain exercisable for a period of five years from the date of issuance at an exercise price of \$0.45 per share. The Company and the Investors now desire to modify further certain of the terms and provisions of the Notes as set forth in this Second Modification Agreement.

NOW, THEREFORE, in consideration of the mutual promises and covenants contained herein, and other good and valuable consideration, the receipt and sufficiency of which is acknowledged, the Company and the Investors agree as follows:

1. Definitions.

All terms not defined herein shall have the meaning ascribed to them in the Offering Memorandum and the Modification Agreement dated August 29, 2007.

2. Waved Interest.

In consideration of this Second Modification Agreement, the Investors agree to forgive all accrued interest on their Notes, from the date of issuance through December 14, 2007.

3. Note Repayment.

On December 14, 2007, the Company shall pay all Investors 50% of the principal amount of their original Notes which equals to a total cash repayment of \$200,000.00. Additionally, in repayment of the other 50% of the principal amount of the original Notes, on December 14, 2007 the Company shall issue to Investors a total of 1,060,000 shares of the Company's Common Stock, \$0.001 par value (the "Conversion Shares").

4. Note Cancellation.

Concurrently with the cash payment and the Conversion Share issuance in accordance with section 3 above, the original of the Notes shall be delivered to the Company, whereupon they shall be marked and deemed cancelled and of no further force or effect.

5. No Registration Rights.

The Company shall not be required to, and shall not, file a Registration Statement with the Securities and Exchange Commission (the "SEC") or any state securities agency to register or qualify the Notes, the Warrants, the Conversion Shares or the Warrant Shares. Conversion Shares and Warrant Shares when issued will be deemed restricted securities and bear appropriate legends.

6. Warrants Provisions Unaffected.

The terms and conditions of the Warrants, to the extent not expressly amended in this Second Modification Agreement, shall remain in full force and effect. More specifically, besides the original Warrant and the Additional Warrants, the Company shall also issue the Delay Warrants as described in the Modification Agreement dated August 29, 2007.

7. Conflict.

In the event of any conflict between the terms and conditions of the Modification Agreement and the Second Modification Agreement, this Second Modification Agreement shall control.

8. Counterparts.

This Second Modification Agreement may be executed in counterpart copies, all of which taken together shall be deemed to be a single agreement.

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IN WITNESS WHEREOF, each of the Company and the Investors has caused this Second Modification Agreement to be executed as of the date first set forth hereinabove.

THE COMPANY:

SAVE THE WORLD AIR, INC.

/s/CHARLES R. BLUM

Name: Charles R. Blum

Title: President and Chief Executive Officer

INVESTORS:

/s/ Phillip A. Cole

Name: Phillip A. Cole

/s/ Richard Bins

Name: Richard Bins

/s/ Lois Bins

Name: Lois A. Bins

/s/ Henry Arnebold

Name: Henry Arnebold

/s/ Nancy Arnebold

Name: Nancy Arnebold

/s/ Frank Jordan

Name: Frank Jordan

/s/ Robert Katz

Name: Robert Katz

/s/ Jan Fredriksson

Name: Jan Fredriksson

/s/ Earl Pomberg

Name: Earl Pomberg