

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 31, 2011

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)

52-2088326

(IRS Employer
Identification No.)

735 State Street, Suite 500
Santa Barbara, CA

(Address of principal executive offices)

93101

(Zip Code)

Registrant's telephone number, including area code: (805) 845-3581

(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:

- 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 5.02(b) and Departure of Directors or Certain Officers; Election of Directors; Appointment of Certain Officers; Compensatory Arrangements of Certain Officers

(b) Effective December 31, 2011, Eugene E. Eichler resigned as Registrant's interim chief financial officer, due to his medical condition and disabilities.

(e) In connection with Mr. Eichler's resignation, Registrant and Mr. Eichler entered into a Separation Agreement and Mutual Release (the "Agreement"). The Agreement, in material part, provides for the following: (i) Mr. Eichler's resignation as Registrant's interim chief financial officer, effective December 31, 2011, due to his medical condition and disability; (ii) Registrant's obligation to pay Mr. Eichler the amount of \$150,000, representing unpaid back wages as of November 30, 2011; (iii) Registrant's obligation to pay Mr. Eichler the amount of \$175,000, representing unpaid amounts due Mr. Eichler pursuant to a prior Separation Agreement between Registrant and Mr. Eichler, dated November 9, 2006; (iv) The foregoing payments shall be made to Mr. Eichler in monthly installments of \$15,000, without interest, until paid; (v) Registrant's grant to Mr. Eichler of a separation bonus in the form of a warrant ("Warrant") to purchase 1,000,000 shares of common stock of Registrant with an exercise price of \$0.30 per share and an expiration date of December 30, 2021; (vi) Mr. Eichler has also agreed to provide consulting services to Registrant during the period January through March 2012, for a fee of \$5,000 per month, and, for no additional payment, Mr. Eichler has agreed to provide Registrant with assistance, as needed, with respect to any matter related to Registrant's Asian operations and/or the termination of such operations; (vii) A general mutual release of all claims between Registrant and Mr. Eichler, except for Registrant's payment obligations to Mr. Eichler, as noted in subparts (ii) and (iii), above.

The foregoing description is qualified in its entirety by reference to the Agreement and Warrant, copies of which are attached hereto as Exhibits 10.1 and 10.2, respectively, and incorporated by referenced in this Item 5.02

Item 9.01 Financial Statements and Exhibits

- (a) Not applicable.
- (b) Not applicable.
- (c) Not applicable.
- (d) Exhibits:

<u>No.</u>	<u>Description</u>
10.1	Separation Agreement and Mutual Release;
10.2	Warrant.

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 thereunto duly authorized.

Date: January 4, 2012

SAVE THE WORLD AIR INC.

By: /s/ Charles Blum
Name: Charles Blum
Title: President

EXHIBIT 10.1

SEPARATION AGREEMENT AND MUTUAL RELEASE

The parties to this Separation Agreement and Mutual Release (the "Agreement") are Eugene E. Eichler ("Employee"), and Save the World Air, Inc. (the "Employer"), sometimes referred to collectively as the "parties."

WHEREAS, As of November 30, 2011, Employer presently owes Employee unpaid back wages in the amount of \$150,000 for work previously performed for Employer.

WHEREAS, As of November 30, 2011, Employer presently owes Employee an additional \$175,000 pursuant to a November 9, 2006, Separation Agreement and General Mutual Release of Claims, a true and correct copy of which is attached as Exhibit 1.

WHEREAS, Employer has missed payments under and is in breach of the November 9, 2006, Separation Agreement and General Mutual Release of Claims.

WHEREAS, Employee is presently the Interim Chief Financial Officer of Employer.

WHEREAS, Employee suffers from medical disabilities which will prevent him from working full time for Employer after December 31, 2011.

WHEREAS, Employee wishes to resign as the Interim Chief Financial Officer of Employer solely as a result of medical disability as of December 31, 2011.

WHEREAS, Employer wishes to accept the resignation of Employee as the Interim Chief Financial Officer of Employer solely as a result of medical disability as of December 31, 2011.

WHEREAS, the parties wish to provide for clarity, finality and certainty as to the basis for Employee's resignation, the terms of cash and non-cash compensation to which Employee will be entitled following such resignation, and the payment of debts presently owed to Employee by Employer.

THEREFORE, in consideration of the promises in this Agreement, the adequacy of which is acknowledged, the parties agree as follows:

1. Nature of Agreement. The Agreement constitutes a compromise and settlement and a partial release of known and unknown claims by Employee. The Agreement constitutes a complete release of all known and unknown claims by Employer.

2. Resignation from Employment. The parties agree that Employee shall be deemed to have resigned from his full time employment, effective December 31, 2011. The parties agree that this resignation is due solely to medical disability, without any further requirement of medical proof. Employer does not regard the deferred resignation of Employee as inconsistent with Employee's disability and waives any right to claim that Employee's separation as provided in this Agreement is for any reason other than medical disability.

3. Payments to Employee. Employer shall pay to Employee the combined sum of \$15,000 per month until all obligations to Employee have been paid. As described below in Paragraphs 4, 5 and 6, this amount includes payments of current employment salary, back wages payments, prior separation debt payments, and possible consulting fee payments as set forth in Exhibit 2, attached.

4. Current Employment Salary. Employer shall pay to Employee the sum of \$10,000 per month, less applicable tax withholdings, payable \$5,000 on December 15, 2011 and \$5,000 on December 31, 2011.

5. Back Wages Payments. Employer shall pay to Employee the sum of \$150,000, in back wages, less applicable tax withholdings, beginning with monthly payments of \$5,000 on December 15, 2011, January 15, 2012, February 15, 2012 and March 15 2012. Thereafter Employer shall make monthly payments of \$10,000, from April 15, 2012 through April 15, 2013.

6. Prior Separation Debt Payments. Employer shall pay to Employee the \$175,000 owed pursuant to the November 9, 2006, Separation Agreement and General Mutual Release of Claims on a monthly basis, less applicable tax withholdings, beginning on January 1, 2012, by making monthly payments of \$5,000 per month from January 2012 through March 2013, a payment of \$10,000 in April 2013, and monthly payments of \$15,000 per month from May 2013 through October 2013.

7. Additional Non-Cash Separation Benefit. The parties further agree that Employee shall be granted a separation bonus of 1,000,000 warrants to purchase common stock of the Company with an exercise price of \$0.30/ share and with an expiration date of 10 years from issuance date. This bonus is to reward the Employee for 10 years of service as an Executive Officer of the Company. These warrants shall be issued no later than January 15, 2012, and shall become immediately vested upon issuance.

8. Consulting Agreement. Employer may request that Employee provide consulting services to Employer during January, February and March 2012. Employee has agreed to provide such services for a payment of \$5,000 per month, provided that Employee is physically able to do so. The parties agree that in the event Employee is not physically able to perform the consulting services for any of these three months, Employer shall not be obligated to pay that month's consulting fee, however, the payment for back salary will increase by \$5,000 for each month consulting services are not provided. The parties further agree that Employee's failure to perform consulting services shall not be deemed a breach of this Agreement. Notwithstanding the foregoing, for no additional payment, Employee agrees to provide Employer assistance, as needed, with respect to any matter related to Employer's Asian operations and/or the termination of such operations.

9. Release of Claims by Employee. Employee hereby releases and forever discharges Employer, and its officers, directors, employees, shareholders agents, attorneys, and assigns (“Employer Released Parties”), from any and all claims, demands, debts, liabilities, accounts, obligations, costs, expenses, liens, actions, and causes of action of every kind or nature, whether now known or unknown, suspected or unsuspected, that Employee now owns or holds or at any time has owned or held against the Employer Released Parties as of the date Employee signs this Agreement EXCEPT for his claim for payment of Back Wages of \$150,000, his Claim for payment of the Prior Separation Debt of \$175,000. Those claims and debts shall survive the execution of this Agreement. This Agreement constitutes a full and general release of all other claims arising out of or relating in any way to Employee's employment or termination of employment with Employer, including but not limited to any claims under any federal, state, county or municipal statute, ordinance or regulation, such as Title VII of the Civil Rights Act of 1964, the Age Discrimination In Employment Act, 29 U.S.C. §626 et seq., the Americans with Disabilities Act, the laws against age discrimination, , sex discrimination or any other form of discrimination or harassment enacted by any state or municipality thereof, any law or regulation relating to employment, any wage and hour law or regulation, any common law claims, any claims of retaliation, harassment, abuse, breach of contract, wrongful discharge, defamation, breach of public policy, whistleblower laws, intentional or negligent infliction of emotional distress, invasion of privacy, tortious action, inaction or interference of any sort, personal or business injury, attorneys' fees and costs, employment benefits or reimbursement for expenses arising or based upon events occurring prior to and including the day Employee signs this Agreement.

10. Release of Claims by Employer. Employer hereby releases and forever discharges Employee and his agents, attorneys, assigns and heirs (“Employee Released Parties”) from any and all claims, demands, debts, liabilities, accounts, obligations, costs, expenses, liens, actions, and causes of action of every kind or nature, whether now known or unknown, suspected or unsuspected, that Employee now owns or holds or at any time has owned or held against the Employee Released Parties as of the date Employee signs this Agreement. Without in any way limiting the generality of the foregoing, this Agreement constitutes a full and general release of all claims arising out of or relating in any way to Employee's employment or termination of employment with Employer, including but not limited to any claims under any federal, state, county or municipal statute, ordinance or regulation, such as Title VII of the Civil Rights Act of 1964, the Age Discrimination In Employment Act, 29 U.S.C. §626 et seq., the Americans with Disabilities Act, the laws against age discrimination, pregnancy discrimination, sex discrimination or any other form of discrimination or harassment enacted by any state or municipality thereof, any law or regulation relating to employment, any wage and hour law or regulation, any common law claims, any claims of retaliation, harassment, abuse, breach of contract, wrongful discharge, defamation, breach of public policy, whistleblower laws, intentional or negligent infliction of emotional distress, invasion of privacy, tortious action, inaction or interference of any sort, personal or business injury, attorneys' fees and costs, any claims for salary, wages, bonuses, vacation pay, severance pay, penalties, employment benefits or reimbursement for expenses arising or based upon events occurring prior to and including the day Employee signs this Agreement.

11. Waiver of California Civil Code Section 1542. Employer and Employee acknowledge and expressly agree that they waive any and all rights and benefit of Section 1542 of the California Civil Code or any similar rights. Section 1542 of the California Civil Code, reads as follows:

A GENERAL RELEASE DOES NOT EXTEND TO CLAIMS WHICH THE CREDITOR DOES NOT KNOW OR SUSPECT IN HIS FAVOR AT THE TIME OF EXECUTING THE RELEASE, WHICH IF KNOWN BY HIM MUST HAVE MATERIALLY AFFECTED HIS SETTLEMENT WITH THE DEBTOR.

It is understood and agreed by the parties that any and all of the facts and circumstances and the law relative to this Agreement may be other than or different than is now known to or believed by any of them, and all the parties hereto agree that this Agreement shall nevertheless be binding and effective.

12. JAMS Arbitration of Disputes. Any dispute, claim or controversy between Employer and Employee whether arising out of or relating to this Agreement or the breach, termination, enforcement, interpretation or validity of this Agreement or otherwise shall be determined by arbitration in Los Angeles, California before one (1) arbitrator. The arbitration shall be administered by JAMS pursuant to its Streamlined Arbitration Rules and Procedures. Judgment on any award may be entered in any court having jurisdiction. The arbitrator shall award attorney's fees to the prevailing party and shall allocate all of the costs of arbitration, except for the fees payable to JAMS, to the losing party. Employer agrees to pay the fees payable to JAMS for the arbitration regardless of who is the prevailing party. The parties agree that they will cooperate with JAMS and with one another in selecting an arbitrator from JAMS panel of neutrals, and in promptly scheduling the arbitration proceedings.

13. The parties have read this Agreement and execute it without relying upon any statements, representations, or warranties, written or oral, not expressly set forth herein. The parties to this Agreement have read and understand its terms, and warrant and represent that this Agreement is executed voluntarily and without duress or undue influence. The parties further represent and warrant that the individuals executing this Agreement on behalf of the parties have the capacity and have been duly authorized to execute this Agreement.

14. The parties acknowledge and agree that the terms of the Agreement shall not be interpreted in favor of or against any party on account of the draftsman, but shall be interpreted solely for the purpose of fairly effectuating the intent of the parties. This Agreement represents the sole and entire agreement between and among the parties hereto and supersedes any and all prior understandings and agreements, whether oral or written. This Agreement shall be binding upon and inure to the benefit of the parties hereto, and all of their present, past and future officers, directors, principals, attorneys, employees, actual, implied or ostensible agents, and all of their successors, predecessors, and assigns. No provision of this Agreement may be waived, modified or amended, except by a written agreement executed by all of the parties affected thereby.

15. The terms, provisions and performance under this Agreement shall be interpreted, construed, and enforced solely in accordance with the laws of the State of California.

16. This Agreement may be executed in counterparts.

17. This Agreement may be disclosed, as Employer shall determine, as required under rules and regulations promulgated by the U.S. Securities and Exchange Commission.

18. The terms of this Agreement shall be binding upon the executors and administrators, heirs and successors of Employee, and in the event any payments due hereunder to Employee remain unpaid at the time of Employee's death, such payments shall be made to Employee's estate under the terms hereunder.

19. Employee agrees that Employer shall have a 30 day grace period on each of the payments due hereunder.

/s/ Eugene E. Eichler

Eugene E. Eichler (Employee)

Dated: Effective December 31, 2011

SAVE THE WORLD AIR, INC.

(Employer)

By: /s/ Charles Blum

Dated: Effective December 31, 2011

EXHIBIT 10.2

STOCK PURCHASE WARRANT

THIS WARRANT AND ANY SHARES ISSUED UPON ITS EXERCISE HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE "ACT"), AND HAVE BEEN ACQUIRED FOR INVESTMENT AND NOT WITH VIEW TO, OR IN CONNECTION WITH, THE SALE OR DISTRIBUTION THEREOF. NO SUCH SALE OR DISPOSITION OF ANY SHARES ISSUED UPON EXERCISE HEREOF MAY BE AFFECTED WITHOUT AN EFFECTIVE REGISTRATION STATEMENT RELATED THERETO OR AN OPINION OF COUNSEL SATISFACTORY IN FORM AND SUBSTANCE TO THE COMPANY THAT SUCH REGISTRATION IS NOT REQUIRED UNDER THE ACT. THE TRANSFER OF THIS WARRANT IS RESTRICTED AS SET FORTH HEREIN.

No. 1110

December 31, 2011

SAVE THE WORLD AIR, INC.

WARRANT TO PURCHASE COMMON STOCK

VOID AFTER 5:00 P.M. P.S.T. ON December 30, 2021

THIS CERTIFIES that, for value received, the holder identified on the last page of this Warrant (the "Holder") is entitled, upon the terms and subject to the conditions hereinafter set forth, at any time on or after the date of this Warrant and on or prior to 5:00 p.m. P.S.T. on the tenth (10th) anniversary of the date of this Warrant (the "Expiration Time"), but not thereafter, to subscribe for and purchase, from SAVE THE WORLD AIR, INC., a Nevada corporation (the "Company"), up to one million (1,000,000) shares of the Company's Common Stock (the "Shares") at a purchase price per share equal to \$0.30 (the "Exercise Price").

1. Exercise of Warrant.

(a) The purchase rights represented by this Warrant are exercisable by the Holder or his estate, in whole or in part, at any time after the date of this Warrant and before the Expiration Time by the surrender of this Warrant and the Notice of Exercise annexed hereto duly executed at the office of the Company, in Santa Barbara, California (or such other office or agency of the Company as it may designate by notice in writing to the Holder at the address of the Holder appearing on the books of the Company), and upon payment of an amount equal to the aggregate Exercise Price for the number of Shares thereby purchased (by cash or by check or certified bank check payable to the order of the Company in an amount equal to the purchase price of the shares thereby purchased); whereupon the Holder shall be entitled to receive a stock certificate representing the number of Shares so purchased. The Company agrees that if at the time of the surrender of this Warrant and purchase of the Shares, the Holder shall be entitled to exercise this Warrant, the Shares so purchased shall be and be deemed to be issued to such Holder as the record owner of such Shares as of the close of business on the date on which this Warrant shall have been exercised as aforesaid.

Upon partial exercise of this Warrant, the Holder shall be entitled to receive from the Company a new Warrant in substantially identical form for the purchase of that number of Shares as to which this Warrant shall not have been exercised. Certificates for Shares purchased hereunder shall be delivered to the Holder within a reasonable time after the date on which this Warrant shall have been exercised as aforesaid.

2. No Fractional Shares or Scrip. No fractional shares or scrip representing fractional shares shall be issued upon the exercise of this Warrant. With respect to any fraction of a share called for upon the exercise of this Warrant, an amount equal to such fraction multiplied by the then current fair market value at which each Share may be purchased hereunder shall be paid in cash to the Holder.

(a) For purposes of this Section 2, the fair market value of the Shares shall mean the closing price of a share of the Company's Common Stock on the OTC Bulletin Board on which the Common Stock is listed at the time of exercise on the last business day prior to the date of exercise of this Warrant pursuant to Section 1 or, if the Company's Common Stock is not then listed or quoted on the OTC Bulletin Board, the closing price of the Company's Common Stock as reported on the "Pink Sheets" published by the Pink OTC Markets, Inc. (or a similar organization or agency succeeding to its functions of reporting prices) or in all other cases, the fair market value of the Common Stock (without regard to the restrictions on transfer or number of Shares) as determined in good faith by the Company's Board of Directors.

EXHIBIT 10.2

3. Charges, Taxes and Expenses. The Holder shall pay all issue and transfer taxes and other incidental expenses in respect of the issuance of certificates for Shares upon the exercise of this Warrant, and such certificates shall be issued in the name of the Holder of this Warrant.

4. No Rights as a Stockholder. This Warrant does not entitle the Holder to any voting rights or other rights as a stockholder of the Company prior to the exercise hereof.

5. Loss, Theft, Destruction or Mutilation of Warrant. Upon receipt by the Company of evidence reasonably satisfactory to it of the loss, theft, destruction or mutilation of this Warrant, and in case of loss, theft or destruction of this Warrant, upon delivery of an indemnity agreement or security reasonably satisfactory in form and amount to the Company or, in the case of any such mutilation, upon surrender and cancellation of such Warrant, and upon reimbursement to the Company of all reasonable expenses incidental thereto, the Company will make and deliver to the Holder, in lieu thereof, a new Warrant in substantially identical form and dated as of such cancellation.

6. Saturdays, Sundays, Holidays, etc. If the last or appointed day for the taking of any action or the expiration of any right required or granted herein shall be a Saturday or a Sunday or shall be a legal holiday in the United States or the State of California, then such action may be taken or such right may be exercised on the next succeeding business.

7. Merger, Reclassification, etc.

(a) Merger, etc. If at any time the Company proposes (A) the acquisition of the Company by another entity by means of any transaction or series of related transactions (including, without limitation, any reorganization, merger, consolidation or stock issuance) that results in the transfer of fifty percent (50%) or more of the then outstanding voting power of the Company; or (B) a sale of all or substantially all of the assets of the Company, then the Company shall give the Holder ten (10) days notice of the proposed effective date of the transaction. If, in the case of such acquisition of the Company, and the Warrant has not been exercised by the effective date of the transaction, this Warrant shall be exercisable into the kind and number of shares of stock or other securities or property of the Company or of the entity resulting from such merger or acquisition to which such Holder would have been entitled if immediately prior to such acquisition or merger, it had exercised this Warrant. The provisions of this Section 7(a) shall similarly apply to successive consolidations, mergers, sales or conveyances.

(b) Reclassification, etc. If the Company at any time shall, by subdivision, combination or reclassification of securities or otherwise, change any of the securities to which purchase rights under this Warrant exist into the same or a different number of securities of any class or classes, this Warrant shall thereafter be to acquire such number and kind of securities as would have been issuable as the result of such change with respect to the securities which were subject to the purchase rights under this Warrant immediately prior to such subdivision, combination, reclassification or other change. If the Shares are subdivided or combined into a greater or smaller number of Shares, the Exercise Price under this Warrant shall be proportionately reduced in case of subdivision of shares or proportionately increased in the case of combination of shares, in both cases by the ratio which the total number of Shares to be outstanding immediately after such event bears to the total number of Shares outstanding immediately prior to such event.

(c) Cash Distributions. No adjustment on account of cash dividends or interest on the Shares or other securities purchasable hereunder will be made to the Exercise Price under this Warrant.

8. Restrictions on Transfer.

(a) Restrictions on Transfer of Shares. In no event will the Holder make a disposition of this Warrant or the Shares unless and until, if requested by the Company, it shall have furnished the Company with an opinion of counsel satisfactory to the Company and its counsel to the effect that appropriate action necessary for compliance with the Securities Act of 1933, as amended (the "Act") relating to sale of an unregistered security has been taken. Notwithstanding the foregoing, the restrictions imposed upon the transferability of the Shares shall terminate as to any particular Share when (i) such security shall have been sold without registration in compliance with Rule 144 under the Act, or (ii) a letter shall have been issued to the Holder at its request by the staff of the Securities and Exchange Commission or a ruling shall have been issued to the Holder at its request by such Commission stating that no action shall be recommended by such staff or taken by such Commission, as the case may be, if such security is transferred without registration under the Act in accordance with the conditions set forth in such letter or ruling and such letter or ruling specifies that no subsequent restrictions on transfer are required, or (iii) such security shall have been registered under the Act and sold by the Holder thereof in accordance with such registration.

EXHIBIT 10.2

(b) Subject to the provisions of Section 8(a) hereof, this Warrant and all rights hereunder are transferable, in whole or in part, upon surrender of the Warrant with a properly executed assignment at the principal office of the Company.

(c) Restrictive Legends. The stock certificates representing the Shares and any securities of the Company issued with respect thereto shall be imprinted with legends restricting transfer except in compliance with the terms hereof and with applicable federal and state securities laws substantially as follows:

“THE SHARES REPRESENTED BY THIS CERTIFICATE HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AND MAY NOT BE SOLD, TRANSFERRED, PLEDGED OR OTHERWISE DISPOSED OF IN THE ABSENCE OF AN EFFECTIVE REGISTRATION STATEMENT UNDER THE SECURITIES ACT OF 1933 OR AN OPINION OF COUNSEL SATISFACTORY TO THE ISSUER OF THIS CERTIFICATE THAT REGISTRATION IS NOT REQUIRED UNDER SAID ACT”.

9. Miscellaneous.

(a) Governing Law. This Warrant shall be governed by and construed in accordance with the laws of the State of California applicable to contracts made and to be performed wholly within such state.

(b) Restrictions. The Holder acknowledges that the Shares acquired upon the exercise of this Warrant may have restrictions upon its resale imposed by state and federal securities laws.

(c) Waivers Strictly Construed. With regard to any power, remedy or right provided herein or otherwise available to any party hereunder (i) no waiver or extension of time shall be effective unless expressly contained in a writing signed by the waiving party; and (ii) no alteration, modification or impairment shall be implied by reason of any previous waiver, extension of time, delay or omission in exercise, or other indulgence.

(d) Modifications. This Warrant may not be amended, altered or modified except by a writing signed by the Company and the Holder of this Warrant.

(e) Transferability. Notwithstanding any provision hereunder to the contrary, this Warrant may not be transferred in any manner, except this Warrant may be transferred by will or by the laws of descent and distribution. During the lifetime of the Holder, this Warrant may be exercised only by the Holder. The terms of this Warrant shall be binding on the executors, administrators, heirs and successors of the Holder.

[remainder of page intentionally left blank]

EXHIBIT 10.2

IN WITNESS WHEREOF, SAVE THE WORLD AIR, INC. has caused this Warrant to be executed by its duly authorized representative dated as of the date first set forth above.

Holder

SAVE THE WORLD AIR, INC.
735 State Street, Suite 500
Santa Barbara, California 93101

/s/ Eugene E. Eichler

Eugene E. Eichler

/s/ Charles Blum

Name: Charles Blum

Title: President

EXHIBIT 10.2

NOTICE OF EXERCISE

TO: SAVE THE WORLD AIR, INC., a Nevada corporation

(1) The undersigned hereby elects to purchase _____ shares of Common Stock (the "Shares") of Save the World Air, Inc. ("Issuer") pursuant to the terms of the attached Warrant, and tenders herewith payment of the purchase price in full, together with all applicable transfer taxes, if any.

(2) Please issue a certificate or certificates representing the Shares in the name of the undersigned or in such other name as is specified below:

(Print Name)

Address:

(3) The undersigned confirms that he is an "accredited investor" as defined by Rule 501(a) under the Securities Act of 1933, as amended, at the time of execution of this Notice.

(4) The undersigned confirms that the Shares are being acquired for the account of the undersigned for investment only and not with a view to, or for resale in connection with, the distribution thereof and that the undersigned has no present intention of distributing or selling the Shares.

(5) The undersigned accepts such Shares subject to the restrictions on transfer set forth in the attached Warrant.

(6) The undersigned acknowledges that the Issuer has given it access to all information relating to the Issuer's business that the undersigned has requested. The undersigned has reviewed all materials relating to the Issuer's business, financial condition and operations which it has requested and the undersigned has reviewed all of such materials as the undersigned, in the undersigned's sole and absolute discretion has deemed necessary or desirable. The undersigned has had an opportunity to discuss the business, management and financial affairs of the Issuer with the Issuer's management. Specifically but not by way of limitation, the undersigned acknowledges the Issuer's publicly available filings made periodically with the SEC, which filings are available at www.sec.gov and which filings the undersigned acknowledges reviewing or having had the opportunity of reviewing.

(7) The undersigned acknowledges that it has, by reason of its business and financial experience, such knowledge, sophistication and experience in financial and business matters and in making investment decisions of this type that it is capable of (i) evaluating the merits and risks of an investment in the Shares and making an informed investment decision in connection therewith; (ii) protecting its own interest; and (iii) bearing the economic risk of such investment for an indefinite period of time for shares which are not transferable or freely tradable. The undersigned hereby agrees to indemnify the Issuer and the officers, directors and employees thereof harmless against all liability, costs or expenses (including reasonable attorneys' fees) arising by reason of or in connection with any misrepresentation or any breach of warranties or representations of the undersigned contained in this Notice, or arising as a result of the sale or distribution of the Shares issuable upon exercise of the Warrants. The representations and warranties contained herein shall be binding upon the heirs, legal representatives, successors and assigns of the undersigned.

Date

(Signature)

(Print Name)