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UNITED STATES SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

Form 10-KSB

þ **ANNUAL REPORT UNDER SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the fiscal year ended December 31, 2004.

or

o **TRANSITION REPORT UNDER SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the transition period from to

Commission File Number 0-29185

Save the World Air, Inc.

(Exact name of registrant as specified in its charter)

Nevada	**52-2088326**
(State or other jurisdiction of incorporation or organization)	*(I.R.S. Employer Identification No.)*

5125 Lankershim Boulevard
North Hollywood, California 91601
(Address, including zip code, of principal executive offices)

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

Securities registered pursuant to Section 12(b) of the Exchange Act: None.

Securities registered pursuant to Section 12(g) of the Exchange Act: Common Stock, $0.001 par value.

Check whether the Registrant (1) filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes þ No o

Check if disclosure of delinquent filers in response to Item 405 of Regulation S-B is not contained in this form, and no disclosure will be contained, to the best of Registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-KSB or any amendment to this Form 10-KSB. o

Registrant's revenues for its most recent fiscal year: None.

The aggregate market value of voting and non-voting common equity held by non-affiliates of the Registrant was approximately $ 33,155,221 as of March 31, 2005, based upon the average of the high and low prices on the Pink Sheets reported for such date. This calculation does not reflect a determination that certain persons are affiliates of the Registrant for any other purpose.

The number of shares of the Registrant's Common Stock outstanding as of March 31, 2005 was 38,450,321 shares.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the Registrant's Proxy Statement for its 2004 Annual Meeting of Stockholders (the "Proxy Statement"), to be filed with the Securities and Exchange Commission, are incorporated by reference into Part III of this Form 10-KSB.

Transitional Small Business Disclosure Format (Check one): Yes o No þ

SAVE THE WORLD AIR, INC.
FORM 10-KSB

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PART I

Forward-Looking Statements

This Annual Report on Form 10-KSB contains forward-looking statements. These forward-looking statements include predictions regarding our future:

- revenues and profits;
- customers;
- research and development expenses and efforts;
- scientific test results;
- sales and marketing expenses and efforts;
- liquidity and sufficiency of existing cash;
- technology and products;
- the outcome of pending or threatened litigation; and
- the effect of recent accounting pronouncements on our financial condition and results of operations.

You can identify these and other forward-looking statements by the use of words such as “may,” “will,” “expects,” “anticipates,” “believes,” “estimates,”, “continues,” or the negative of such terms, or other comparable terminology. Forward-looking statements also include the assumptions underlying or relating to any of the foregoing statements.

Our actual results could differ materially from those anticipated in these forward-looking statements as a result of various factors, including those set forth below under the heading “Risk Factors.” All forward-looking statements included in this document are based on information available to us on the date hereof. We assume no obligation to update any forward-looking statements.

Item 1. *Business*

General

Overview

We are a development stage company that has not yet generated revenues. The company’s focus is on research and development of proprietary devices that are designed to reduce harmful emissions, and improve fuel efficiency and engine performance on equipment and vehicles driven by internal combustion engines. Our prototype devices are called “ZEFS” (Zero Emission Fuel-Savings Device) and “CAT-MATE.” We have devoted the bulk of our efforts to the completion of the design, the development of our production models and the promotion of our products in the market place worldwide. Expenses have been funded through the sale of company stock. We have taken actions to secure our intellectual property rights to the ZEFS and CAT-MATE devices. In addition, we have initiated marketing efforts to international governmental entities in cooperation with the United Nations Environmental Programme (UNEP) and various original equipment manufacturers (OEMs), to eventually sell or license our ZEFS and CAT-MATE products and technology.

We anticipate that these efforts will continue during 2005 and that we will begin selling our devices by late 2005. We do not envision generating significant revenue in 2005. We will need to raise additional capital during 2005 to fund our research and development efforts and other expenses.

Our company was incorporated on February 18, 1998, as a Nevada corporation under the name Mandalay Capital Corporation. We changed our name to Save the World Air, Inc. on February 11, 1999 following the acquisition of marketing and manufacturing rights of the ZEFS device. We acquired the worldwide manufacturing and marketing rights to the ZEFS device from its inventors. During the past three years, we have been acquiring new technologies, developing products using our technologies and conducting scientific tests regarding our technologies and prototype products. In late 2003, the Company acquired worldwide intellectual property and patent rights to technologies which reduce carbon monoxide, hydrocarbon and nitrous oxide emissions in two- and four-stroke motorcycles, fuel-injection engines, generators and small engines. The Company has developed prototype products and named them “CAT-MATE.”

Our mailing address and executive offices are located at 5125 Lankershim Boulevard, North Hollywood, California, 91601. Our telephone number is (818) 487-8000. Our corporate website is www.savetheworldair.com. Information contained on the website is not deemed part of this Annual Report.

Background

Our principal business focus currently rests with development and planned distribution of devices designed to solve the complex problems caused by pollution from automobile and other equipment driven by internal combustion engines and to improve the performance of those engines. We have designed and tested multiple versions of the ZEFS and CAT-MATE devices for use on carbureted and fuel injection gasoline engines and are currently in the process of adapting this technology to work on engines that use diesel fuels.

The incomplete and inefficient burning of fossil fuel in an automobile engine and other equipment driven by internal combustion engines results in unburned gases, such as hydrocarbons and carbon monoxide being expelled as harmful emission as a by-product from the engine's exhaust. These emissions from automobile engines have contributed to significant air pollution and depletion of the ozone layer that protects the world's atmosphere from harmful ultraviolet radiation. As a result, the world has experienced significant deterioration to its air quality since the beginning of the 20th century and, because of the added use of internal combustion engines, the problem has gotten progressively worse with each passing year. Forecasts published by the World Resources Institute indicate that this trend will continue to accelerate. By the year 2010, the number of automobiles in operation worldwide are expected to exceed 800 million.

ZEFS devices work to enhance the atomization of the fuel by affecting the viscosity of that fuel. The effect is achieved by the use of specific and complex magnetic flux orientations that have the ability to influence fuel at the molecular level.

These devices alter the fuel atomization process by changing the size of the molecular structure of the fuel. The devices create a more efficient burn rate, thus lowering the production of carbon monoxide, hydrocarbons and nitrous oxide. ZEFS devices are easily fitted to the base plates of carburetors and fuel injection systems; the devices are compact, there are no moving parts.

CAT-MATE devices function together with a catalytic converter and are configured in the exhaust system. The Cat-Mate is fundamentally a device that greatly enhances the efficiency of catalytic converters in particular applications where use of other emission control devices is not feasible.

Specifically, CAT-MATE is designed for use on two- and four-stroke motorcycles, off-road and marine vehicles, generators, lawn mowers, on stationary implements and on "carbureted" and fuel injection motor vehicles.

Testing by the Company's R&D as well as by independent sources has demonstrated the use of ZEFS and CAT-MATE products generate significant reductions in hydrocarbon, nitrous oxide and carbon monoxide emissions and, in most cases, improves gas consumption and mileage performance.

Our Business Strategy

Governmental Mandates to Reduce Air Pollution

Governments internationally recognize the serious effects caused by air pollution and have enacted legislation to mandate that automobile manufacturers be required to reduce exhaust emissions caused by their products. The approach used by auto makers to address this mandate has thus far generally taken the form of installing catalytic converters, which work on the principle of super heating gases within the exhaust manifold after the damaging gases have been created through internal combustion. We anticipate that further government mandates may pressure automobile manufacturers to adopt better solutions to reducing emissions.

Technology Transfer

We are actively continuing our research on the ZEFS and CAT-MATE devices for use on gasoline-powered engines and have taken steps to finalize the development of versions of the device to fit on carbureted, center point, and multi-port fuel injection systems. We have used these prototype devices as demonstration units, during presentations, before manufacturers. It is our long-term objective to facilitate the adoption of this technology by engine, carburetor, muffler and exhaust manufacturers.

We adopted this strategy of technology transfer because automobile and engine manufacturers will require time to fully inspect, test and integrate the ZEFS and CAT-MATE devices into their new designs, as well as to adapt them to their legacy vehicles. Since the ZEFS technology is presently protected by international patent, and we have patent applications on file for the CAT-MATE technology, we view technology transfer strategy as the most viable option to gain widespread adoption of the technology by manufacturers, without compromising our ownership of the technology. We intend to assist these manufacturers with the full integration of our technology, by not only supporting the required engineering and system integration efforts, but also by reducing costs associated with such process so that they may not pose an unnecessary time constraint to the endeavor.

We have successfully developed multiple ZEFS and CAT-MATE devices for use on one-, two- and four-barrel carbureted engines and created production CAD drawings for these devices and produced multiple samples using cast aluminum housings. We have also created several prototype devices for use on fuel injection engines. Extensive R&D testing of our carbureted and fuel injection ZEFS and CAT-MATE devices has been positive.

Because of the complexity and enormity of the task of designing variants of ZEFS and CAT-MATE devices to fit every make and model, we intend to rely on the cooperation of manufacturers to support this function, including engineering, marketing, and installation of the devices. Additionally, we are cognizant that in order to preserve the integrity of the warranties provided by manufacturers, they must be involved in the process of designing and installing the ZEFS and CAT-MATE devices on legacy vehicles. We envision that a cooperative venture between manufacturers and us will result in the most optimal mechanism for the installation of ZEFS and CAT-MATE devices on the greatest percentage of vehicles possible, through agreements between the company, manufacturers and their dealerships.

We are also engaged in the development of ZEFS and CAT-MATE devices for use on diesel engines, such as those used on trucks, buses, heavy equipment and generators. Because these types of vehicles use engines provided from Cummins, Caterpillar, or Detroit Diesel almost exclusively, the number of ZEFS and CAT-MATE variants needed to service these fleets is considerably less than the number required to satisfy the automobile market. This fact alone makes entry into the diesel engine market extremely attractive for our business, offering a large number of potential customers with a minimum of expense for research and development of product variants.

Research and Development

We have a research and development facility in Queensland, Australia. We have expanded research and development to include applications of the ZEFS and CAT-MATE technology to diesel engines, motorbikes, boats, generators, lawnmowers and other small engines. We have purchased test vehicles, test engines and testing equipment. We have completed testing on ZEFS and CAT-MATE devices for multiple automobiles, trucks, motorcycles, off-road vehicles and stationary engines, the results of which have been provided to RAND Corporation (RAND) for evaluation. During 2004, RAND expanded its role with us and now oversees our research and development facility in Australia. We also use third party research and development facilities in Los Angeles and San Jose, California for the development of our ZEFS and CAT-MATE devices. We spent approximately $629,000 in fiscal year 2003 and $1,873,000 in fiscal 2004 on research and development. Please see Item 6, “Management’s Discussion and Analysis of Financial Condition and Results of Operation – Results of Operations” and Note 8 to Notes to Financial Statements for a more complete understanding of our research and development expense in 2004.

Independent Laboratory and Scientific Testing

We have performed independent laboratory testing of the ZEFS and CAT-MATE devices in order to gain better market acceptance by manufacturers and governmental regulatory officials. Research and testing using government standard test equipment in the United States has demonstrated that the ZEFS and CAT-MATE devices may lead to reduced engine emissions, such as carbon monoxide, mitrous oxide and hydrocarbons, and improve gas consumption and mileage performance.

In December 2002, we retained RAND to study the validity and market potential of our technology. RAND determined then that sufficient theoretical basis exists to warrant entry into a comprehensive product-testing program. As a result, in May 2003, we entered into an arrangement in which RAND would coordinate and supervise both a theoretical scientific study of the concepts underlying the ZEFS device as well as an empirical study.

In tests conducted at the Northern California Diagnostics Laboratory in Napa, California, the ZEFS device reduced carbon monoxide, hydrocarbons, and nitrous oxide fume levels and increased gas mileage for the test vehicle. In tests conducted at Automotive Testing and Development Services, Inc. in Ontario, California, the ZEFS and CAT-MATE devices reduced carbon monoxide, hydrocarbons, and nitrous oxide fume levels and increased mileage performance for the test vehicles.

Motorcycle and Generator tests of our CAT-MATE conducted by Hong Kong Exhaust Emissions Laboratory (HKEEL) showed that CAT-MATE devices reduce emissions of carbon monoxide, nitrous oxide and hydrocarbons. The test results were certified by United Kingdom's Vehicle Certification Agency (VCA) on January 20, 2005.

Marketing

In October 2004, we commenced marketing efforts for our emission control and performance-enhancing ZEFS and CAT-MATE technologies. We are focused on selling or licensing our technologies and devices domestically and internationally to automobile, carburetor, fuel-injection, diesel, exhaust and muffler original equipment manufacturers (OEMs) and the after-market. We have presented our ZEFS and CAT-MATE technologies to OEMs in the United States and Asia. We intend to pursue this market sector and create strategic alliances and partnerships during 2005.

Harmful exhaust emissions from automobiles and motorcycles in developing countries is at the highest levels because of the continued widespread use of older model automobiles and motorcycles with either no or malfunctioning catalytic converters.

We work with governments worldwide at all levels, together with industry, to capitalize on our technology to achieve what we know to be common global environmental objectives. In November 2004, management met with UNEP in New York to enlist its aid with this objective. By UNEP invitation, we participated in a UNEP-sponsored meeting in Bali , Indonesia in December 2004, which resulted in the initiation of informal negotiations with United Nations and government officials to explore the possibility of pilot programs using our technology in Indonesia, Kenya , Mexico, Thailand, Brazil and Sri Lanka.

We have also since participated in a United Nations sponsored Summit in Lake Toba, North Sumatra, Indonesia in March 2005. This resulted in an announcement by the Lake Toba Summit Chair, Nico Barito, endorsed by HRH Sri Sultan Hamengkubowono X of Yogyakarta and the Governor of North Sumatra, Razil Nurdin, of two pilot programs intended to minimize carbon monoxide emissions, hydrocarbons and nitrous oxide, by installing our devices on 10,000 student motorcycles at universities in Yogyakarta and Medan in Indonesia.

Competition

The automotive and motor engine industry is highly competitive. We have many competitors in the United States and throughout the world developing technologies to make engines more environmentally friendly and fuel efficient. Many of our competitors have greater financial, research, marketing and staff resources than we do. For instance, automobile manufacturers have already developed catalytic converters on automobiles, in order to reduce emissions. While we believe that our technology has greater benefits, it may be unable to gain market acceptance. Further, research and development throughout the world is constantly uncovering new technologies. Although we are

unaware of any, there can be no assurance that no existing or future technology is currently or will be superior to the ZEFS and CAT-MATE devices.

Government Regulation

Our research and development activities are not subject to any governmental regulations that would have a significant impact on our business to date and we believe that we are in compliance with all applicable regulations that apply to our business as it is presently conducted. Depending upon whether we manufacture or license our devices in the future and in which countries such devices are manufactured or sold, we may be subject to regulations, including environmental regulations at such time.

Intellectual Property

In December 1998, the Company acquired all of the marketing and manufacturing rights to the ZEFS technology from the purported inventor of the technology in exchange for 5,000,000 shares of our common stock, $500,000 and $10 royalty for each unit sold. In November 2002, under our settlement with the bankruptcy trustee for the estate of the inventor and his wife, the trustee transferred all ownership and legal rights to the international patent application for the ZEFS device to us. In exchange for these rights, we gave the bankruptcy trustee an option to purchase 500,000 shares of our common stock at $1.00 share and $0.20 royalty on each device we sell. See "Part I, Item 3. Legal Proceedings" and Note 1 to Notes to Financial Statements" below.

In May 2002, we settled a dispute with Kevin "Pro" Hart, who claimed proprietary rights to the ZEFS technology. He assigned to us all his rights to the ZEFS technology in exchange for an option to purchase 500,000 shares of our common stock at $1.00 share and a $0.20 royalty on each device we sell. Mr. Hart currently serves as a member of our Advisory Board. See "Advisory Board" below.

The CAT-MATE technology was created by Adrian Menzell, a member of our research team in Australia. On August 20, 2003, Mr. Menzell filed preliminary Australian patent application #2004900192 for the CAT-FLAP. This technology was enhanced and on June 4, 2004, Mr. Menzell filed preliminary Australian patent application #2004903000 for the CAT-MATE. On September 1, 2003, we had entered into an Assignment Agreement with Mr. Menzell, pursuant to which this technology was assigned to us in exchange for 20,000 shares of our common stock and a royalty of $.25 for each CAT-MATE device sold. On June 26, 2004, we received a deed of assignment from Mr. Menzell and each pending patent application was transferred to our name.

ZEFS Patent Applications

We obtained the patent application for the ZEFS MK1 device [PCT/AU1/00585] originally filed in Australia on May 19, 2000. The International Filing Application for our ZEFS MK1 technology was filed on May 21, 2001 (Official No. 10/275946) [PCT/AU1/00585] and modified as ZEFS MK2 on July 9, 2003. On November 4, 2003 we filed for our ZEFS MK3 (#2003906094). The United States Patent and Trademark Office issued a Notice of Allowance of Patent dated January 24, 2005. The duration of the patent is 20 years from the date the original application was filed. Prior to the issuance of such patent, we relied solely on trade secrets, proprietary know-how and technological innovation to develop our technology and the designs and specifications for the ZEFS technology. Overall, we have applied for a patent on an international basis in approximately 64 countries worldwide.

ZEFS MK1—Device For Saving Fuel and Reducing Emissions. This fuel saving device has a disk like nonmagnetic body provided with a central opening and a number of permanent magnets having opposed polarities positioned about the central opening to provide multidirectional magnetic fields. The device is positioned in a fuel air mixture to reduce emissions.

The following table summarizes the status of the ZEFS MK1 patent application in the following countries:

Country	Number	Filing Date	Status
Australia	2001 258057	May 21, 2001	Under examination Deadline 14 June 2005
Bosnia & Heregovina	BAP 021290A	May 21, 2001	Short Term Patent Grant Requested
Brazil	0.111.365-8	May 21, 2001	Examination requested 5 September 2003
Bulgaria	107391	May 21, 2003	Awaiting examination
Canada	2409195	May 21, 2001	Examination to be requested by 21 May 2006
China	01809802.9	May 21, 2001	Under examination Deadline 27 Feb 2005
Columbia	02.115.018	May 21, 2001	Examination requested 23 July 2004
Croatia	P20020982A	May 21, 2001	Awaiting examination
Czech Republic	PV 2002-4092	May 21, 2001	Examination requested 23 July 2004
Eurasian(1)	200201237	May 21, 2001	Under examination
Europe(2)	019331222.2	May 21, 2001	Awaiting examination
Georgia (3)	4098/01-2002	May 21, 2001	Under examination
Hong Kong	04100327.0	May 21, 2001	Automatic grant upon grant by China
Hungary	P 03 01796	May 21, 2001	Awaiting examination
India (3)	IN/PCT/2002/01523	May 21, 2001	Awaiting examination
Indonesia	WO0200202844	May 21, 2001	Examination requested November 2003
Israel	152902	May 21, 2001	Under examination
Japan	586731/2001	May 21, 2001	Must request Examination by May 21, 2008
Mexico	PA/A/2002/11365	May 21, 2001	Awaiting examination
Morocco	PV/26.964	May 21, 2001	Granted
New Zealand	523113	May 21, 2001	Granted
Norway	20025531	May 21, 2003	Awaiting examination
Poland	P 358837	May 21, 2001	Awaiting examination
Serbia/Montenegro	P-870/02	May 21, 2001	Examination requested December 2002
Sri Lanka (3)	12918	May 21, 2001	Awaiting examination
Singapore	200206064.7	May 21, 2001	Grant fees paid-awaiting grant
South Africa	2002/10013	May 21, 2001	Granted
South Korea	2002 7015531	May 21, 2001	Must request Examination by May 21, 2006
Trinidad & Tobago	TT/A2002/00213	May 21, 2001	Under examination
Ukraine (3)	20021210144	May 21, 2001	Examination requested October 2003
United States (3)	10/275946	May 21, 2001	Notice of Allowance issued January 24, 2005
Vietnam	1-2002-01168	May 21, 2001	Under examination

(1) Eurasian patent application covers the countries of Azerbaijan, Armenia, Belarus, Georgia, Kazakhstan, the Kyrgyz Republic, Moldova, the Russian Federation, Tajikistan, Ukraine and Turkmenistan.

(2) Europe patent application covers the countries of Austria, Belgium, Switzerland, Lichtenstein, Cyprus, Germany, Denmark, Spain, Finland, France, Great Britain, Greece, Ireland, Italy, Luxembourg, Netherlands, Portugal, Sweden, Turkey, Lithuania, Latvia, Slovenia, Romania and Macedonia.

(3) In the process of being assigned to the Company.

***ZEFS MK2—Device for Saving Fuel and Reducing Emissions*.** This fuel saving device similar to that of the MK1 except that a central magnet can be provided in the opening and the peripheral magnets extend only partially through the depth of the body and stop short of the top wall to provide the option of moving the magnetic field further away from the base of the carburetor to increase the area of magnetic influence between the point of fuel atomization and the point of cessation of magnetic influence.

The priority date is July 19, 2003 from Australian patent application 2003903626.

The following table summarizes the status of the ZEFS MK2 patent application in the following countries:

Country	Number	Filing Date	Status
Taiwan	92134811	July 19, 2003	Under examination
International	PCT/AU2004/000950	July 15, 2004	Clear International Search Report Issued. Request for International Preliminary Examination due Feb 15, 2005

One hundred twenty five countries are covered by the PCT. National Patent Applications are due by January 15, 2006.

ZEFS MK3—Emission Control Devices. This emission control device is particularly suited for fuel injection systems which has an elongate body formed with one or more channels and a number of permanent magnets is positioned in the channels. The device sits on a fuel rail.

The priority date is November 4, 2003 from Australia patent application 2003906094.

The following table summarizes the status of the ZEFS MK3 patent application in the following countries:

Country	Number	Filing Date	Status
Thailand	095155	November 3, 2004	Awaiting Examination
International	PCT/AU2004/001518	November 4, 2004	Awaiting International Search Report

Approximately 125 countries are covered by the PCT. National Patent Applications are due by May 4, 2006

CAT-MATE Patent Applications

CAT-FLAP (Afterburner) –Improvements in or Relating to Emission Control Systems. A catalytic converter is provided in an engine exhaust flow to reduce emissions. A valve is provided downstream from the catalytic converter. The valve is in a closed position when the exhaust flow volume is low to keep the hot exhaust gas around the catalytic converter to keep the catalytic converter within its operational temperatures. When the exhaust flow volume is high (e.g. the engine is revving) the catalyst is kept at its operational temperature by normal gas flow and valve is opened to not impede exhaust flow. A simple hinge flap is one method by which this can be achieved.

The priority date is January 6, 2004 from Australian patent application 2004900192.

Approximately 125 countries are covered by the PCT. National Patent Applications are due by July 8, 2006.

CAT-MATE—Inline Exhaust Device to Improve Efficiency of a Catalytic Converter. A set of rings is placed downstream from the catalytic converter to re-radiate heat to the catalytic converter to keep the converter working at a warmer temperature and therefore greater efficiency.

The priority date is June 4, 2004 from Australian patent application 2004903000.

This invention was incorporated into the specifications filed pursuant to the CAT-FLAP invention.

We have entered into agreements with certain employees and consultants, which limit access to, and disclosure or use of, our technology. There can be no assurance, however, that the steps we have taken to deter misappropriation of our intellectual property or third party development of our technology and/or processes will be adequate, that others will not independently develop similar technologies and/or processes or that secrecy will not be breached. In addition, although management believes that our technology has been independently developed and does not infringe on the proprietary rights of others, there can be no assurance that our technology does not and will not so infringe or that third parties will not assert infringement claims against us in the future. Management believes that the steps they have taken to date will provide some degree of protection, however, no assurance can be given that this will be the case.

Employees

As of December 31, 2004, we had four full-time employees, including two members of senior management, and five part-time employees. As of such date, we also utilized the services of three full-time consultants in our R&D facility in Australia and three additional part-time consultants to assist us with various matters, including marketing. In order to maintain salaries at a minimum without

compromise to the company's functional capacity, we adopted the practice of engaging consultants for services needed not on a "full-time" basis. We intend to hire additional personnel to provide services when they are needed on a full-time basis. We recognize that our efficiency largely depends, in part, on our ability to hire and retain additional qualified personnel as and when needed and we have adopted procedures to assure our ability to do so.

Executive Officers

The following table sets forth certain information regarding our executive officers as of December 31, 2004:

Name	Age	Position
Edward L. Masry, Esq.	72	Chairman of the Board and Chief Executive Officer
Eugene E. Eichler, CPA	78	President, Chief Financial Officer and Treasurer
Bruce H. McKinnon	63	Chief Operating Officer and Executive Vice President of Business Development
Nathan Shelton	55	Vice President of Marketing and Distribution
Erin Brockovich	44	Vice President of Environmental Affairs
Janice Holder	59	Corporate Secretary

Edward L. Masry, Esq. has served as our Chairman of the Board and Chief Executive Officer since October 2001 and served as our President from October 2001 until March 2004. Mr. Masry has been a member of the law firm of Masry & Vititoe since 1986 and was Mayor of Thousand Oaks City and currently a member of the City Council. From 1960 to 1986, he was a partner of various law firms. Mr. Masry was corporate director of Merlin Olsen Porsche Audi from 1970 to 1988 and corporate director of Gabriel Olsen Volkswagen from 1969 to 1973. Mr. Masry received a J.D. from Loyola Law School, Los Angeles.

Eugene E. Eichler, CPA, has served as our President since March 2004, our Chief Operating Officer and Chief Financial Officer and Treasurer since October 2001 and as a director since May 2002. Mr. Eichler was the Chief Financial Officer and Firm Administrator of the law firm Masry & Vititoe from 1982 to October 2001. From 1974 to 1982, Mr. Eichler provided financial consulting services to Foundation for HMO's, Acne Care Medical Clinics and Earth Foods, Inc. From 1960 to 1974, Mr. Eichler headed financial consulting services for Milburn Industries and Brown, Eichler & Company. From 1953 to 1960, he held the position of Chief Budgets and Forecasts at North American Aviation. From 1951 to 1953, Mr. Eichler held various audit positions at the Atomic Energy Commission. Mr. Eichler received a B.A. from University of Montana.

Bruce H. McKinnon has served as a director since May 2002, our Executive Vice-President of Business Development since December 2003 and our Chief Operating Officer since March 2004. Mr. McKinnon served as Chief Executive Officer and President of KZ Golf, Inc., an international golf equipment company, from 1994 to 2004. From 1990 to 1994, he was President and Chief Executive Officer of TTL Corporation and Novaterra, Inc., environmental remediation and technology corporations. Prior to 1990, Mr. McKinnon was an owner, Chairman and Chief Executive Officer of several international trading and manufacturing corporations.

Nathan Shelton has served as our Vice President of Marketing and Distribution since 2003. From 2002 until present, he operates his own consulting firm. He was the Chief Executive Officer and Chief Marketing Officer at K&N Engineering from 1984 to 2002 and was also Chairman of the Specialty Equipment Market Association, a trade association of automotive after market manufacturers and distributors.

Erin Brockovich served on our Board of Advisors from 2002 until August 2004, when she was appointed Vice President, Environmental Affairs. Since 1992, Ms. Brockovich has also served as Director of Environmental Research with the law firm of Masry and Vititoe and her exploits were the basis of the movie, "Erin Brockovich". Ms. Brockovich is an environmental activist and a research expert with respect to complex environmental matters and has received multiple awards and honors for her work with the environment. She has written a book with Marc Eliot entitled, "Take It From Me, Life's a Struggle But You Can Win" and lectures around the world on environmental matters.

Janice Holder has served as our Corporate Secretary since October 2001. From 1964 through 1984, Ms. Holder managed various medical facilities in Orange County. Since 1984, she has been the Office Manager for the Law Offices of Masry & Vititoe.

On September 1, 2004, the Company entered into an employment agreement with Erin Brockovich, pursuant to which she serves as our Vice President of Environmental Affairs. The initial term of the agreement expires on September 30, 2005 and renews automatically for additional one-year terms unless either party has given notice of non-extension prior to the end of a term. The agreement provides for a base compensation of $60,000, which amount is reviewable by the Board of Directors in subsequent years of the term. Ms. Brockovich is eligible to participate in the Company's incentive and benefit plans, including eligibility to receive grants of stock options under the 2004 Plan.

If Ms. Brockovich's employment is terminated by us without cause or as a result of her disability or death, she, or her estate as the case may be, will be entitled to receive an amount equal to the base compensation paid to her for the remainder of the term, except that in the case of a change of control of the Company, the payment shall be the base compensation in effect immediately prior to the date of termination, for a period of one year beginning on the date of termination. If Ms. Brockovich's employment is terminated by us for cause or by her for any reason, she will be entitled to receive all accrued and unpaid base salary and vacation compensation earned through the date of termination. The agreement also contains standard confidentiality and non-solicitation provisions.

Advisory Board

Our Advisory Board provides specific expertise in areas of research and development relevant to our business and meets with our management personnel from time to time to discuss our present and long-term research and development activities. Advisory Board members include:

Sir Jack Brabham, Triple Formula One World Champion and Twice Formula One World Constructors Champion, is an expert in the areas of racing car design.

Kevin "Pro" Hart, is a famous Australian artist and inventor of the "ZEFS" device.

Jack Reader, Ph.D., Director, BIFS Technologies Corporation. Mr. Reader is a systems engineer and an expert in business management and energy conservation.

Bobby Unser, Jr., Founder, Unser Driving, Inc. Mr. Unser is an expert in motor racing and stunt driving.

Risk Factors

We expect to incur future losses and may not be able to achieve profitability.

We have not yet generated any revenue from operations and, accordingly, we have incurred net losses every year since our inception in 1998. Although we expect to generate revenue eventually from sales of our ZEFS and CAT-MATE devices, we anticipate net losses and negative cash flow to continue for the foreseeable future until such time as our products are brought to market. As planned, we have significantly expanded our research and development efforts during the past year. Consequently, we will need to generate significant additional revenue to fund our operations. This has put a proportionate corresponding demand on capital. Our ability to achieve profitability is entirely dependent upon our research and development efforts to deliver a viable product and the company's ability to successfully bring it to market. Although our management is optimistic that we will succeed with marketing the ZEFS and CAT-MATE devices we cannot be certain as to timing or whether we will generate sufficient revenue to be able to operate profitably. If we cannot achieve or sustain profitability, we may not be able to fund our expected cash needs or continue our operations.

We will need additional capital to meet our operating needs, and we cannot be sure that additional financing will be available.

As of December 31, 2004 and thereafter, our expenses ran, and are expected to continue to run, at a "burn rate" of approximately $200,000 per month. Our capital resources, as of April 2005, will be sufficient to fund operations only through the second quarter of 2005, and we will require additional capital in order to operate beyond this date. In order to fund our capital needs for the foreseeable future, we began a private offering in July 2004 for the sale of our common stock for a maximum of $10,000,000. This offering is ongoing as of the date of the filing of this Annual Report. Management cannot predict with certainty that the offering will be sufficiently successful to provide adequate funds to complete the research and development process or to profitably bring our devices to market. Moreover, additional capital may not be available on favorable terms to us, or at all. If we cannot obtain needed capital, our research and development, and marketing plans, business and financial condition and our ability to reduce losses and generate profits are likely to be materially and adversely affected.

As a company in the development stage and with an unproven business strategy, our limited history of operations makes evaluation of our business and prospects difficult.

Our business prospects are difficult to predict because of our limited operating history, early stage of development and unproven business strategy. Since our incorporation in 1998, we have been and continue to be involved in development of products using our technology, establishing manufacturing and marketing of these products to consumers and industry partners.

Although we believe our technology and products in development have significant profit potential, we may not attain profitable operations and our management may not succeed in realizing our business objectives.

If we are not able to devote adequate resources to product development and commercialization, we may not be able to develop our products.

Our business strategy is to develop, manufacture and market ZEFS and CAT-MATE products using our technology. We believe that our revenue growth and profitability, if any, will substantially depend upon our ability to:

- raise additional needed capital for research and development;
- complete development of our products in development; and
- successfully introduce and commercialize our new products.

Certain of our products are still under various stages of development. Because we have limited resources to devote to product development and commercialization, any delay in the development of one product or reallocation of resources to product development efforts that prove unsuccessful may delay or jeopardize the development of other product candidates. Although our management believes that it can finance our product development through private placements and other capital sources, if we do not develop new products and bring them to market, our ability to generate revenues will be adversely affected.

The commercial viability of the ZEFS and CAT-MATE devices are unproven and we may not be able to attract customers.

To the best of our knowledge, no consumer or automobile manufacturer has used the ZEFS or CAT-MATE devices to reduce motor vehicle emissions to date. Accordingly, the commercial viability of our devices are not known at this time. If commercial opportunities are not realized from the use of the ZEFS and CAT-MATE devices, our ability to generate revenue would be adversely affected.

If our products and services do not gain market acceptance, it is unlikely that we will become profitable.

The market for products that reduce harmful motor vehicle emissions is evolving and we have many successful competitors. Automobile manufacturers have historically used various technologies, including catalytic converters, to reduce exhaust emissions caused by their products. At this time, our technology is unproven, and the use of our technology by others is limited. The commercial success of our products will depend upon the adoption of our technology by auto manufacturers and consumers as an approach to reduce motor vehicle emissions. Market acceptance will depend on many factors, including:

- the willingness and ability of consumers and industry partners to adopt new technologies;
- the willingness of governments to mandate reduction of motor vehicle emissions;
- our ability to convince potential industry partners and consumers that our technology is an attractive alternative to other technologies for reduction of motor vehicle emissions;
- our ability to manufacture products and provide services in sufficient quantities with acceptable quality and at an acceptable cost; and
- our ability to place and service sufficient quantities of our products.

If our products do not achieve a significant level of market acceptance, demand for our products will not develop as expected and it is unlikely that we will become profitable.

Any revenues that we may earn in the future are unpredictable, and our operating results are likely to fluctuate from quarter to quarter.

We believe that our future operating results will fluctuate due to a variety of factors, including:

- delays in product development;
- market acceptance of our new products;
- changes in the demand for, and pricing, of our products;
- competition and pricing pressure from competitive products;
- manufacturing delays; and
- expenses related to, and the results of, proceedings relating to our intellectual property.

A large portion of our expenses, including expenses for our facilities, equipment and personnel, is relatively fixed and not subject to significant reduction. In addition, we expect our operating expenses will continue to increase significantly in 2005 as we further increase our research and development, production and marketing activities. Although we expect to generate revenues from sales of our products in the future, revenues may decline or not grow as anticipated and our operating results could be substantially harmed for a particular fiscal period. Moreover, our operating results in some quarters may not meet the expectations of stock market analysts and investors. In that case, our stock price most likely would decline.

If we lose our key personnel or are unable to attract and retain additional personnel, we may be unable to achieve profitability.

Our future success is substantially dependent on the efforts of our senior management, particularly Edward L. Masry, Eugene Eichler and Bruce McKinnon. The loss of the services of members of our senior management may significantly delay or prevent the achievement of product development and other business objectives. Because of the scientific nature of our business, we depend substantially on our ability to attract and retain qualified marketing, scientific and technical personnel. There is intense competition among specialized automotive companies for qualified personnel in the areas of our activities. If we lose the services of, or do not successfully recruit key marketing, scientific and technical personnel, the growth of our business could be substantially impaired. We do not maintain key man insurance for any of these individuals.

We may face costly intellectual property disputes.

Our ability to compete effectively will depend in part on our ability to develop and maintain proprietary aspects of our technology and either to operate without infringing the proprietary rights of others or to obtain rights to technology owned by third parties. Our pending patent applications, specifically patent rights of the ZEFS and CAT-MATE devices, may not result in the issuance of any patents or any issued patents that will offer protection against competitors with similar technology. Patents we receive may be challenged, invalidated or circumvented in the future or the rights created by those patents may not provide a competitive advantage. We also rely on trade secrets, technical know-how and continuing invention to develop and maintain our competitive position. Others may independently develop substantially equivalent proprietary information and techniques or otherwise gain access to our trade secrets.

Our common stock is subject to penny stock regulation, which may make it more difficult for us to raise capital.

Our common stock is considered penny stock under SEC regulations. It is subject to rules that impose additional sales practice requirements on broker-dealers who sell our securities. For example, broker-dealers must make a suitability determination for the purchaser, receive the purchaser's written consent to the transaction prior to sale, and make special disclosures regarding sales commissions, current stock price quotations, recent price information and information on the limited market in penny stock. Because of these additional obligations, some broker-dealers may not effect transactions in penny stocks, which may adversely affect the liquidity of our common stock and shareholders' ability to sell our common stock in the secondary market. This lack of liquidity may make it difficult for us to raise capital in the future.

Item 2. ***Properties***

Our principal facility consists of leased office space in North Hollywood, California. We sublease this space from KZ Golf, Inc., pursuant to a lease we entered into on October 16, 2003 and which expires on October 16, 2005. Through May 31, 2004, the rent was $2,000 per month for approximately 1,000 square feet. Effective June 1, 2004, we amended the lease to add approximately 225 square feet of office space and to have provided expanded comprehensive services, including reception, parking and conference facilities, for a total rent of $3,400 per month.

The lease, as amended, is renewable, at our option, for an additional two-year term at $3,760 per month. One of our directors, Bruce H. McKinnon, is an owner of KZ Golf, Inc. Management believes that the terms of the lease with KZ Golf, Inc. are no less favorable than what we would have had to pay for equivalent space and comparable services with an unaffiliated party. We believe that our North Hollywood facility is adequate for our current and planned administrative activities.

Our research and development facility located in Queensland, Australia is leased. We entered into the lease for this facility on November 15, 2003 and the lease is for a term of two years. The rent is AUD $1,292 (approximately US $1,000) per month and is renewable, at our option, for an additional two-year term at an increase of the greater of 5% or the increase in the then-current Australian consumer price index. We believe that our present research and development facility is adequate for our current and planned activities and that suitable additional or replacement facilities in the Queensland area are readily available on commercially reasonable terms should such facilities be needed in the future.

Item 3. ***Legal Proceedings***

On December 19, 2001, the SEC filed civil charges in the United States Federal District Court, Southern District of New York, against us, our former President and then sole director Jeffrey A. Muller, and others, alleging that we and the other defendants were engaged in a fraudulent scheme to promote our stock. The SEC complaint alleged the existence of a promotional campaign using press releases, Internet postings, an elaborate website, and televised media events to disseminate false and materially misleading information as part of a fraudulent scheme to manipulate the market for stock in our corporation, which was then controlled by Mr. Muller. On March 22, 2002, we signed a Consent to Final Judgment of Permanent Injunction and Other Relief in settlement of this action as against the corporation only, which the court approved on July 2, 2002. Under this settlement, we were not required to admit fault and did not pay any fines or restitution. The SEC's charges of fraud and stock manipulation continue against Mr. Muller and others.

On July 2, 2002, after an investigation by our newly constituted board of directors, we filed a cross-complaint in the SEC action against Mr. Muller and others seeking injunctive relief, disgorgement of monies and stock and financial restitution for a variety of acts and omissions in connection with sales of our stock and other transactions occurring between 1998 and 2002. Among other things, we alleged that Mr. Muller and certain others sold Company stock without providing adequate consideration to us; sold insider shares without making proper disclosures and failed to make necessary filing required under federal securities laws; engaged in self-dealing and entered into various undisclosed related-party transactions; misappropriated for their own use proceeds from sales of our stock; and entered into various undisclosed arrangement regarding the control, voting and disposition of their stock. We contend that we are entitled to a judgment canceling all of the approximately 8,716,710 shares of our common stock that was previously obtained and controlled, directly or indirectly, by Mr. Muller; divesting and preventing any subsequent holders of the right to exercise options previously held by Mr. Muller for 10,000,000 shares of our common stock, conversion of an existing preliminary injunction to a permanent injunction to prevent Mr. Muller from any involvement with the Company and a monetary judgment against Mr. Muller and others in the amount of several million dollars.

On July 30, 2002, the U.S. Federal District Court, Southern District of New York, granted our application for a preliminary injunction against Mr. Muller and others, which prevented Mr. Muller and other cross-defendants from selling, transferring, or encumbering any assets and property previously acquired from us, from selling or transferring any of our stock that they may own or control, or from taking any action to injure us or our business and from having any direct contact with our shareholders. The injunctive order also prevents Mr. Muller from engaging in any effort to exercise control over our corporation and from serving as an officer or director of our company. While we believe that we have valid claims, there can be no assurance that an adverse result or settlement would not have a material adverse effect on our financial position or cash flow.

In the course of the litigation, we have obtained ownership control over Mr. Muller's claimed patent rights to the ZEFS device. Under a Buy-Sell Agreement between Mr. Muller and dated December 29, 1998, Mr. Muller, who was listed on the ZEFS devise patent application as the inventor of the ZEFS device, purported to grant us all international marketing, manufacturing and distribution rights to the ZEFS device. Those rights were disputed because an original inventor of the ZEFS device contested Mr. Muller's legal ability to have conveyed those rights.

In Australia, Mr. Muller entered into a bankruptcy action seeking to overcome our claims for ownership of the ZEFS device. In conjunction with these litigation proceedings, a settlement agreement was reached whereby the $10 per unit royalty previously due to Mr. Muller under his contested Buy-Sell Agreement was terminated and replaced with a $.20 per unit royalty payable to the bankruptcy trustee. On November 7, 2002, under a settlement agreement executed with Mr. Muller's bankruptcy trustee, the trustee transferred to us all ownership and legal rights to this international patent application for the ZEFS device.

Both the SEC and we have filed Motions for Summary Judgment contending that there are no material issues of fact in contention and as a matter of law, the Court should grant a judgment against Mr. Muller and the cross-defendants. Mr. Muller has filed a response contending the motions are without merit or substance. A final decision on these motions, which potentially would terminate the ongoing litigation, is still pending. Should the Court not grant summary judgment in our favor, the case will be scheduled for final disposition in a trial.

Mr. Muller and several of the defendants filed a Motion to Dismiss the complaint filed by us and moved for summary judgment in their favor. On December 21, 2004, Judge George B. Daniels, denied the cross-defendants' motion to dismiss our cross-complaint, denied the request to vacate the July 2, 2002 preliminary injunction and denied the request for damages against us. The court also refused to grant a summary judgment in favor of the cross-defendants and dismissed Mr. Muller's claims against us for indemnification for his legal costs and for damages resulting from the litigation. Neither Mr. Muller nor any of the cross-defendants have filed any cross-claims against us and we are not exposed to any liability as a result of the litigation, except for possibly incurring legal fees and expenses should we lose the litigation.

Although the outcome of this litigation cannot be predicted with any degree of certainty, we are optimistic that the Court's ruling will either significantly narrow the issues for any later trial or will result in a final disposition of the case in a manner favorable to us.. While we believe that we have valid claims, there can be no assurance that an adverse result or outcome on the pending motions or a trial of this case would not have a material adverse effect on our financial position or cash flow.

We were named as a defendant in a complaint filed before the Los Angeles Superior Court, Civ. No. BC 312401, by Terracourt Pty Ltd, an Australian corporation, claiming breach of contract and related remedies from promises allegedly made by the former president of the Company in 1999. The plaintiff is seeking specific performance of the former president's alleged promises to transfer to the plaintiff an aggregate 480,000 shares of our common stock for office consultant and multimedia services. The complaint was filed on March 18, 2004. Due to a late date of service of the complaint upon us and other preliminary legal procedures, our answer was not filed until October 20, 2004. We are opposing the plaintiff's causes of action and have asserted that we have no liability for the claims asserted. The matter has been scheduled for further motion and trial proceedings in late April 2005 and is expected to be concluded by early June 2005.

Item 4. ***Submission of Matters to a Vote of Security Holders.***

No matters were submitted to a vote of security holders during the fourth quarter of fiscal 2004.

PART II

Item 5. ***Market for Common Equity and Related Stockholder Matters***

Our common stock is traded on the Pink Sheets under the symbol "ZERO." The following table sets forth the high and low closing prices of the common stock for the quarters indicated as quoted on the Pink Sheets.

	2003		2004	
	High	Low	High	Low
First Quarter	$ 0.55	$ 0.30	$ 1.50	$ 0.95
Second Quarter	$ 0.70	$ 0.33	$ 2.05	$ 1.20
Third Quarter	$ 0.95	$ 0.40	$ 2.05	$ 1.24
Fourth Quarter	$ 2.50	$ 0.85	$ 1.90	$ 1.16

According to the records of our transfer agent, we had 1,009 stockholders of record of our common stock at December 31, 2004.

We do not pay a dividend on our common stock and we currently intend to retain future cash flows to finance our operations and fund the growth of our business. Any payment of future dividends will be at the discretion of our Board of Directors and will depend upon, among other things, our earnings, financial condition, capital requirements, level of indebtedness, contractual restrictions in respect to the payment of dividends and other factors that our Board of Directors deems relevant.

Issuances of Unregistered Securities in Last Fiscal Year

From July 2004 through the date of filing this report, we have engaged in a private offering of units, comprised of shares of our common stock and one-year warrants to purchase an equal number of shares of our common stock at an exercise price of $1.50 per share. This effort is ongoing.

During 2004, we sold an aggregate of 1,272,500 of such units, amounting to 1,272,500 shares of common stock and one-year warrants to purchase 1,272,500 shares of common stock exercisable at $1.50 per share. For the sale of such units, we received aggregate gross proceeds of $1,272,500 and net proceeds of $ 1,192,180. In addition, during 2004 we sold 119,000 of such units and received $119,000 of gross and net proceeds for those units, but did not issue the stock and warrant certificates until 2005.

Also during 2004, we issued ten-year warrants to purchase 1,000,000 shares of common stock in connection with patent acquisition agreements with two individuals. These warrants are exercisable at $1.00 per share. In addition, we issued one-year warrants to purchase 50,000 shares of common stock pursuant to a distribution agreement with Gurminder Singh, which warrants are exercisable at $1.00 per share.

During 2004, we issued 960,500 shares of common stock to 12 persons in connection with the exercise, at various exercise prices, of previously-issued warrants. We received aggregate gross and net proceeds of $194,200 in connection with such exercises.

During 2004, we issued an aggregate of 850,000 shares of common stock to six individuals who are advisors or consultants to the Company and certain of their designees in exchange for advisory and consulting services rendered to the Company. Of such shares, 250,000 shares vested upon issuance thereof, 300,000 of such shares vested on April 1, 2004 and the remainder vested on April 1, 2005.

In February 2004, we issued 488,560 shares of common stock to five individuals who provided services to the Company in connection with a private offering of our common stock, which offering was conducted between November 2002 and October 2003.

In April 2004, we issued 60,000 shares of common stock in consideration of the cancellation of a loan in the amount of $15,000 made to us by Joette Masry, the wife of our Chief Executive Officer, Edward L. Masry.

During 2004, the Company issued options to purchase 1,172,652 shares of common stock to certain of our directors, officers and employees. These options have an aggregate intrinsic value of $304,272.

In our Quarterly Report on Form 10-Q-SB for the quarter ended March 31, 2004, we also disclosed that we had sold 25,000 shares of common stock to one individual on October 14, 2003, but that a certificate for such shares was not issued until February 3, 2004.

The issuances of shares and warrants described above were made in reliance on the exemptions from registration set forth in Section 4(2) of the Securities Act of 1933 (the "Act"), as amended, or Regulations D or S promulgated thereunder.

Item 6. ***Management's Discussion and Analysis or Plan of Operation***

The following discussion and analysis of our financial condition and results of operations should be read in conjunction with the Financial Statements and supplementary data referred to in Item 7 of this Form 10-KSB.

This discussion contains forward-looking statements that involve risks and uncertainties. Such statements, which include statements concerning future revenue sources and concentration, selling, general and administrative expenses, research and development expenses, capital resources, additional financings and additional losses, are subject to risks and uncertainties, including, but not limited to, those discussed above in Item 1 and elsewhere in this Form 10-KSB, particularly in "Risk Factors," that could cause actual results to differ materially from those projected. Unless otherwise expressly indicated, the information set forth in this Form 10-KSB is as of December 31, 2004, and we undertake no duty to update this information.

Overview

We are a development stage company that has not yet generated revenues. The company's focus is on research and development of proprietary devices that are designed to reduce harmful emissions, improve fuel efficiency and engine performance for installation on equipment and vehicles driven by internal combustion engines. Our prototype devices are called "ZEFS" and "CAT-MATE." We have devoted the bulk of our efforts to the completion of the design, the development of our production models and the promotion of our products in the market place worldwide. Expenses have been funded through the sale of company stock. We have devoted the bulk of our efforts to the completion of the design, the development of our production models.

We anticipate that these efforts will continue during 2005 and that we will begin selling our devices by late 2005. We do not envision generating significant revenue in 2005. We will need to raise additional capital during 2005 to fund our research and development and marketing efforts and other expenses.

Results of Operation

To date, we have not generated any revenues and our business continues in the development stage. We have focused our efforts on verifying and developing our technologies and devices and commencing marketing efforts for their license or sale. We expect to begin selling our devices in late 2005.

General and administrative expenses were $3,323,030 for the fiscal year ended December 31, 2004, compared to $6,046,651 for the fiscal year ended December 31, 2003, an increase of $1,476,379. This increase is attributable to payroll expense which increased by $460,826, primarily as a result of additional personnel; consulting expense which increased by $228,314, primarily as a result of additional consulting services; corporate expense which increased by $239,161, primarily as a result of costs associated with financial printing, public relations, transfer agent and website design; professional expense which increased by $144,094, primarily as a result of legal and accounting fees associated with SEC reporting, our private offering that commenced in July 2004 and general corporate functions; and travel and other expense which increased in the aggregate by $335,324, primarily as a result of the expansion of our R&D activities worldwide. A significant portion of the total increase in general and administrative expense is the result of non-cash items in the aggregate amount of $1,195,210 in the fiscal year ended December 31, 2004 compared to $899,668 in the fiscal year ended December 31, 2003, an increase of $295,542.

Research and development expenses were $1,873,464 for the fiscal year ended December 31, 2004, compared to $628,832 for the fiscal year ended December 31, 2003, an increase of $1,244,632. Our research and development expenses include contractual payments to RAND, consultants' fees, capital expenditures, cost of services and supplies. The increase in research and development expenses is primarily attributable to the valuation of $1,210,450 placed on the common stock that we issued as compensation in lieu of cash to our R&D consultants in Australia and the United States under two-year agreements with those individuals; and increases in actual R&D expenses.

Patent settlement costs were $1,610,066 in the fiscal year ended December 31, 2004, attributable to Black-Scholes valuation placed on 1,000,000 warrants that we issued in connection with our acquisition of certain of our intellectual property.

Non-cash items were $4,015,726 for the fiscal year ended December 31, 2004, compared to $899,668 for the fiscal year ended December 31, 2003. This increase is attributable to increases in general and administrative expense in the amount of $295,542, research and development expense in the amount of $1,210,450 and patent settlement costs in the amount of $$1,610,066.

We had a net loss of $6,803,280, or $.19 per share, for the year ended December 31, 2004, compared to a net loss of $2,476,063, or $.09 per share, for the year ended December 31, 2003. We expect an increase in net loss in the fiscal year ending December 31, 2005, primarily attributable to increased general and administrative expenses and marketing-related expenditures, without the benefit of any revenue for most of the year.

Liquidity and Capital Resources

We have incurred negative cash flow from operations in the developmental stage since our inception in 1998. As of December 31, 2004 we had cash of $84,826 and an accumulated deficit of $17,130,888. Our negative operating cash flows in 2004 were funded primarily through the sale of common stock and, to a lesser degree, by proceeds we received from the exercise of options and warrants.

The financial statements accompanying this Annual Report have been prepared on a going concern basis, which contemplates the realization of assets and the settlement of liabilities and commitments in the normal course of our business. As reflected in the accompanying financial statements, the we had a net loss of $6,803,280 and a negative cash flow from operations of $2,411,464 for the year ending December 31, 2004, and a stockholders' deficiency of $2,007,144 as of December 31, 2004. These factors raise substantial doubt about our ability to continue as a going concern. Our ability to continue as a going concern is dependent on our ability to raise additional funds and implement our business plan. The financial statements do not include any adjustments that might be necessary if we are unable to continue as a going concern.

From July 2004 through the date of filing this report, we have engaged in a private offering of units comprised of shares of our common stock and one-year warrants to purchase an equal number of shares of common stock at an exercise price of $1.50 per share. From July 2004 through December 31, 2004, we received aggregate gross proceeds of $1,272,500 and aggregate net proceeds of $1,167,180 in connection with the sale of 1,272,500 shares of our common stock to 27 purchasers. The offering is ongoing. See Note 6 to Notes to Financial Statements.

We believe that we have sufficient cash to fund our operations through the second quarter of 2005 based on current cash on hand. For all of 2005, we will need to raise additional capital or incur new debt to fund our operations. We believe that exercises of in-the-money options and warrants, with various expiration dates during 2005, will provide some of the proceeds needed to meet our capital requirements during 2005, together with additional sales of our common stock in the private offering.

In addition, we are actively exploring additional sources of financing, including borrowings from one or more of our directors and officers However, there can be no assurance that additional equity or debt financing will be available or available on terms favorable to us. If we are unable to obtain additional capital, we may be required to delay, reduce the scope of, or eliminate, our research and development programs, reduce any marketing activities or relinquish rights to technologies that we might otherwise seek to develop or commercialize.

Critical Accounting Policies and Estimates

Our discussion and analysis of financial condition and results of operations is based upon our Financial Statements, which have been prepared in accordance with accounting principles generally accepted in the United States of America. The preparation of these Financial Statements and related disclosures requires us to make estimates and judgments that affect the reported amounts of assets, liabilities, expenses, and related disclosure of contingent assets and liabilities. We evaluate, on an on-going basis, our estimates and judgments, including those related to the useful life of the assets. We base our estimates on historical experience and assumptions that we believe to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The methods, estimates and judgments we use in applying our most critical accounting policies have a significant impact on the results that we report in our Financial Statements. The SEC considers an entity's most critical accounting policies to be those policies that are both most important to the portrayal of a company's financial condition and results of operations and those that require management's most difficult, subjective or complex judgments, often as a result of the need to make estimates about matters that are inherently uncertain at the time of estimation. We believe the following critical accounting policies, among others, require significant judgments and estimates used in the preparation of our Financial Statements:

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Certain significant estimates were made in connection with preparing our financial statements as described in Note 1 to Notes to Financial Statements. See Item 7, "Financial Statements". Actual results could differ from those estimates.

Stock-Based Compensation

We account for stock-based compensation to employees as defined by using the intrinsic-value method prescribed in Accounting Principles Board Opinion (APB) No. 25, "Accounting for Stock Issued to Employees."

We account for stock option and warrant grants issued to non-employees using the guidance of SFAS No. 123, "Accounting for Stock-Based Compensation" and EITF No. 96-18: "Accounting for Equity Instruments that are Issued to Other Than Employees for Acquiring, or in Conjunction with Selling, Goods or Services," whereby the fair value of such option and warrant grants is determined using the Black-Scholes option pricing model at the earlier of the date at which the non-employee's performance is completed or a performance commitment is reached.

New Accounting Pronouncements

In November 2004, the Financial Accounting Standards Board "(FASB") issued Statement of Financial Accounting Standards No. 151, "Inventory Costs". This Statement amends the guidance in ARB No. 43 Chapter 4 Inventory Pricing, to require items such as idle facility costs, excessive spoilage, double freight and rehandling costs to be expensed in the current period, regardless if they are abnormal amounts or not. This Statement will become effective for us in the first quarter of 2006. The adoption of SFAS No. 151 is not expected to have a material impact on our financial condition, results of operations, or cash flows.

In December 2004, the FASB issued SFAS No. 123 (revised 2004), "Share-Based Payment" (SFAS 123R), which revises SFAS No. 123. SFAS 123R also supersedes APB No. 25 and amends SFAS No. 95, "Statement of Cash Flows". In general, the accounting required by SFAS 123R is similar to that of SFAS No. 123. However, SFAS No. 123 gave companies a choice to either recognize the fair value of stock options in their income statements or disclose the pro forma income statement effect of the fair value of stock options in the notes to the financial statements. SFAS 123R eliminates that choice and requires the fair value of all share-based payments to employees, including the fair value of grants of employee stock options, be recognized in the income statement, generally over the option vesting period. SFAS 123R must be adopted no later than July 1, 2005 (December 15, 2005 for small business filers). Early adoption is permitted.

The Company is currently evaluating the timing and manner in which it will adopt SFAS 123R. As permitted by SFAS 123, the Company currently accounts for share-based payments to employees using APB 25's intrinsic value method. Accordingly, adoption of SFAS 123R's fair value method will have an effect on results of operations, although it will have no impact on overall financial position. The impact of adoption of SFAS 123R cannot be predicted at this time because it will depend on levels of share-based payments granted in the future. However, had SFAS 123R been adopted in prior periods, the effect would have approximated the SFAS 123 pro forma net loss and loss per share disclosures as shown above. SFAS 123R also requires the benefits of tax deductions in excess of recognized compensation cost to be reported as a financing cash flow, rather than as an operating cash flow as currently required, thereby reducing net operating cash flows and increasing net financing cash flows in periods after adoption.

Item 7. ***Financial Statements***

SAVE THE WORLD AIR, INC.
(A DEVELOPMENT STAGE ENTERPRISE)

YEARS ENDED DECEMBER 31, 2004 AND 2003

CONTENTS

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors
Save the World Air, Inc.

We have audited the accompanying balance sheets of Save the World Air, Inc. (a development stage enterprise) as of December 31, 2004 and 2003 and the related statements of operations, changes in stockholders' deficiency and cash flows for the years then ended and for the period from inception (February 18, 1998) to December 31, 2004. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with 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 misstatement. 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 financial position of Save the World Air, Inc. (a development stage enterprise) as of December 31, 2004 and 2003 and the results of its operations and its cash flows for the years then ended and for the period from inception (February 18, 1998) to December 31, 2004, in conformity with accounting principles generally accepted in the United States of America.

The accompanying financial statements have been prepared assuming that the Company will continue as a going concern. As discussed in Note 2 to the financial statements, the Company has a net loss of $6,803,280 and negative cash flow from operations of $2,411,464 for the year ended December 31, 2004, and had a working capital deficiency of $1,025,532 and a stockholders' deficiency of $2,007,144 as of December 31, 2004. These factors raise substantial doubt about its ability to continue as a going concern. Management's plans concerning this matter are also described in Note 2. The accompanying financial statements do not include any adjustments that might result from the outcome of this uncertainty.

WEINBERG & COMPANY, P.A.

April 11, 2005
Boca Raton, Florida

SAVE THE WORLD AIR, INC.
(A DEVELOPMENT STAGE ENTERPRISE)

BALANCE SHEETS
DECEMBER 31, 2004 AND 2003

	2004	2003
ASSETS		
Current assets		
Cash	$ 84,826	$ 926,052
Other current assets	2,602	—
Total current assets	87,428	926,052
Property and equipment, net of accumulated depreciation	35,596	35,244
TOTAL ASSETS	$ 123,024	$ 961,296
LIABILITIES AND STOCKHOLDERS' DEFICIENCY		
Current liabilities		
Accounts payable	$ 64,089	$ —
Accrued expenses	134,420	33,082
Accrued professional fees	876,452	551,582
Income taxes payable	—	5,991
Loans from related parties	36,478	57,903
Finders fees payable	1,521	128,916
Total current liabilities	1,112,960	777,474
Advances from founding executive officer	1,017,208	1,017,208
Commitments and contingencies		
Stockholders' deficiency		
Common stock, $.001 par value: 200,000,000 shares authorized, 37,784,821 and 34,128,261 shares issued and outstanding at December 31, 2004 and 2003, respectively	37,784	34,128
Common stock to be issued	119,000	6,250
Additional paid-in capital	15,043,028	10,162,177
Deferred compensation	(76,068)	(708,333)
Deficit accumulated during the development stage	(17,130,888)	(10,327,608)
Total stockholders' deficiency	(2,007,144)	(833,386)
TOTAL LIABILITIES AND STOCKHOLDERS' DEFICIENCY	$ 123,024	$ 961,296

See notes to financial statements.

SAVE THE WORLD AIR, INC.
(A DEVELOPMENT STAGE ENTERPRISE)

STATEMENTS OF OPERATIONS
YEARS ENDED DECEMBER 31, 2004 AND 2003 AND FOR THE PERIOD FROM INCEPTION (FEBRUARY 18, 1998) TO DECEMBER 31, 2004

	December 31, 2004	December 31, 2003	Cumulative since inception
Net sales	$ —	$ —	$ —
Operating expenses	3,323,030	1,846,651	12,865,369
Research and development expenses	1,873,464	628,832	2,653,226
Non-cash patent settlement cost	1,610,066	—	1,610,066
Loss before other income	(6,806,560)	(2,475,483)	(17,128,661)
Other Income			
Interest income	514	440	954
Loss before provision for income taxes	(6,806,046)	(2,475,043)	(17,127,707)
Provision (benefit) for income taxes	(2,766)	1,020	3,181
Net loss	$ (6,803,280)	$ (2,476,063)	$(17,130,888)
Net loss per common share, basic and diluted	$ (0.19)	$ (0.09)	
Weighted average common shares outstanding, basic and diluted	35,841,225	26,768,958	

See notes to financial statements.

SAVE THE WORLD AIR, INC.
(A DEVELOPMENT STAGE ENTERPRISE)

STATEMENTS OF STOCKHOLDERS' DEFICIENCY
FROM INCEPTION (FEBRUARY 18, 1998) TO DECEMBER 31, 2004

	Price per share	Common Stock		Common stock to be issued	Additional paid-in capital	Deferred compensation	Deficit accumulated during the development stage	Total stockholders' development stage deficiency
		Shares	Amount					
Balance, February 18, 1998 (date of inception)		—	$ —	$ —	$ —	$ —	$ —	$ —
Issuance of common stock on April 18, 1998	.0015 – .01	10,030,000	10,030	—	14,270	—	—	24,300
Net loss		—	—	—	—	—	(21,307)	(21,307)
Balance, December 31, 1998		**10,030,000**	**10,030**		**14,270**	**—**	**(21,307)**	**2,993**
Issuance of common stock on May 18, 1999	1.00 – 6.40	198,003	198	—	516,738	—	—	516,936
Issuance of common stock for ZEFS on September 14, 1999	.001	5,000,000	5,000	—	—	—	—	5,000
Stock issued for professional services on May 18, 1999	0.88	69,122	69	—	49,444	—	—	49,513
Net loss		—	—	—	—	—	(1,075,264)	(1,075,264)
Balance, December 31, 1999		**15,297,125**	**15,297**	**—**	**580,452**	**—**	**(1,096,571)**	**(500,822)**
Stock issued for employee compensation on February 8, 2000	1.03	20,000	20	—	20,580	—	—	20,600
Stock issued for consulting services on February 8, 2000	1.03	100,000	100	—	102,900	—	—	103,000
Stock issued for professional services on April 18, 2000	3.38	27,000	27	—	91,233	—	—	91,260
Stock issued for directors fees on April 18, 2000	3.38	50,000	50	—	168,950	—	—	169,000
Stock issued for professional services on May 19, 2000	4.06	5,000	5	—	20,295	—	—	20,300
Stock issued for directors fees on June 20, 2000	4.44	6,000	6	—	26,634	—	—	26,640
Stock issued for professional services on June 20, 2000	4.44	1,633	2	—	7,249	—	—	7,251
Stock issued for								

professional services on June 26, 2000	5.31	1,257	1	—	6,674	—	—	6,675
Stock issued for employee compensation on June 26, 2000	5.31	22,000	22	—	116,798	—	—	116,820
Stock issued for consulting services on June 26, 2000	5.31	9,833	10	—	52,203	—	—	52,213
Stock issued for promotional services on July 28, 2000	4.88	9,675	9	—	47,205	—	—	47,214
Stock issued for consulting services on July 28, 2000	4.88	9,833	10	—	47,975	—	—	47,985
Stock issued for consulting services on August 4, 2000	2.13	35,033	35	—	74,585	—	—	74,620
Stock issued for promotional services on August 16, 2000	2.25	25,000	25	—	56,225	—	—	56,250
Stock issued for consulting services on September 5, 2000	2.25	12,833	13	—	28,861	—	—	28,874
Stock issued for consulting services on September 10, 2000	1.50	9,833	10	—	14,740	—	—	14,750
Stock issued for consulting services on November 2, 2000	0.88	9,833	10	—	8,643	—	—	8,653
Stock issued for consulting services on November 4, 2000	0.88	9,833	10	—	8,643	—	—	8,653
Stock issued for consulting services on December 20, 2000	0.50	19,082	19	—	9,522	—	—	9,541

SAVE THE WORLD AIR, INC.
(A DEVELOPMENT STAGE ENTERPRISE)

STATEMENTS OF STOCKHOLDERS' DEFICIENCY — Continued
FROM INCEPTION (FEBRUARY 18, 1998) TO DECEMBER 31, 2004

	Price per share	Common Stock		Common stock to be issued	Additional paid-in capital	Deferred compensation	Deficit accumulated during the development stage	Total stockholders' development stage deficiency
		Shares	Amount					
Stock issued for filing services on December 20, 2000	0.50	5,172	5	—	2,581	—	—	2,586
Stock issued for professional services on December 26, 2000	0.38	12,960	13	—	4,912	—	—	4,925
Other stock issuance on August 24, 2000	2.13	2,000	2	—	4,258	—	—	4,260
Common shares cancelled		(55,000)	(55)	—	(64,245)	—	—	(64,300)
Net loss		—	—	—	—	—	(1,270,762)	(1,270,762)
Balance, December 31, 2000		**15,645,935**	**15,646**	**—**	**1,437,873**	**—**	**(2,367,333)**	**(913,814)**
Stock issued for consulting services on January 8, 2001	0.31	9,833	10	—	3,038	—	—	3,048
Stock issued for consulting services on February 1, 2001	0.33	9,833	10	—	3,235	—	—	3,245
Stock issued for consulting services on March 1, 2001	0.28	9,833	10	—	2,743	—	—	2,753
Stock issued for legal services on March 13, 2001	0.32	150,000	150	—	47,850	—	—	48,000
Stock issued for consulting services on April 3, 2001	0.25	9,833	10	—	2,448	—	—	2,458
Stock issued for legal services on April 4, 2001	0.25	30,918	31	—	7,699	—	—	7,730
Stock issued for professional services on April 4, 2001	0.25	7,040	7	—	1,753	—	—	1,760
Stock issued for consulting services on April 5, 2001	0.25	132,600	132	—	33,018	—	—	33,150
Stock issued for filing fees on April 30, 2001	1.65	1,233	1	—	2,033	—	—	2,034
Stock issued for filing fees on								

September 19, 2001	0.85	2,678	2	—	2,274	—	—	2,276
Stock issued for professional services on September 28, 2001	0.62	150,000	150	—	92,850	—	—	93,000
Stock issued for directors services on October 5, 2001	0.60	100,000	100	—	59,900	—	—	60,000
Stock issued for legal services on October 17, 2001	0.60	11,111	11	—	6,655	—	—	6,666
Stock issued for consulting services on October 18, 2001	0.95	400,000	400	—	379,600	—	—	380,000
Stock issued for consulting services on October 19, 2001	1.25	150,000	150	—	187,350	—	—	187,500
Stock issued for exhibit fees on October 22, 2001	1.35	5,000	6	—	6,745	—	—	6,751
Stock issued for directors services on November 2, 2001	0.95	1,000,000	1,000	—	949,000	—	—	950,000
Stock issued for consulting services on November 7, 2001	0.85	20,000	20	—	16,980	—	—	17,000
Stock issued for consulting services on November 20, 2001	0.98	43,000	43	—	42,097	—	—	42,140
Stock issued for consulting services on November 27, 2001	0.98	10,000	10	—	9,790	—	—	9,800
Stock issued for consulting services on November 28, 2001	0.98	187,000	187	—	183,073	—	—	183,260
Intrinsic value of options issued to employees		—	—	—	2,600,000	(2,600,000)	—	—
Fair value of options issued to non-employees for services		—	—	—	142,318	—	—	142,318

SAVE THE WORLD AIR, INC.
(A DEVELOPMENT STAGE ENTERPRISE)

STATEMENTS OF STOCKHOLDERS' DEFICIENCY — Continued
FROM INCEPTION (FEBRUARY 18, 1998) TO DECEMBER 31, 2004

	Price per share	Common Stock		Common stock to be issued	Additional paid-in capital	Deferred compensation	Deficit accumulated during the development stage	Total stockholders' development stage deficiency
		Shares	Amount					
Amortization of deferred compensation		—	—	—	—	191,667	—	191,667
Net loss		—	—	—	—	—	(2,735,013)	(2,735,013)
Balance, December 31, 2001		**18,085,847**	**18,086**	**—**	**6,220,322**	**(2,408,333)**	**(5,102,346)**	**(1,272,271)**
Stock issued for directors services on December 10, 2002	0.40	2,150,000	2,150	—	857,850	—	—	860,000
Common stock paid for, but not issued (2,305,000 shares)	0.15-0.25	—	—	389,875	—	—	—	389,875
Fair value of options issued to non-employees for services		—	—	—	54,909	(54,909)	—	—
Amortization of deferred compensation		—	—	—	—	891,182	—	891,182
Net loss		—	—	—	—	—	(2,749,199)	(2,749,199)
Balance, December 31, 2002		**20,235,847**	**20,236**	**389,875**	**7,133,081**	**(1,572,060)**	**(7,851,545)**	**(1,880,413)**
Stock issued, previously paid for	0.15	1,425,000	1,425	(213,750)	212,325	—	—	—
Stock issued, previously paid for	0.25	880,000	880	(220,000)	219,120	—	—	—
Stock and warrants issued for cash on March 20, 2003	0.25	670,000	670	—	166,830	—	—	167,500
Stock and warrants issued for cash on April 4, 2003	0.25	900,000	900	—	224,062	—	—	224,962
Stock and warrants issued for cash on April 8, 2003	0.25	100,000	100	—	24,900	—	—	25,000
Stock and warrants issued for cash on May 8, 2003	0.25	1,150,000	1,150	—	286,330	—	—	287,480
Stock and warrants								

issued for cash on June 16, 2003	0.25	475,000	475	—	118,275	—	—	118,750
Stock issued for legal services on June 27, 2003	0.55	83,414	83	—	45,794	—	—	45,877
Debt converted to stock and warrants on June 27, 2003	0.25	2,000,000	2,000	—	498,000	—	—	500,000
Stock and warrants issued for cash on July 11, 2003	0.25	519,000	519	—	129,231	—	—	129,750
Stock and warrants issued for cash on September 29, 2003	0.25	1,775,000	1,775	—	441,976	—	—	443,751
Stock and warrants issued for cash on October 21, 2003	0.25	1,845,000	1,845	—	459,405	—	—	461,250
Stock and warrants issued for cash on October 28, 2003	0.25	1,570,000	1,570	—	390,930	—	—	392,500
Stock and warrants issued for cash on November 19, 2003	0.25	500,000	500	—	124,500	—	—	125,000
Finders' fees related to stock issuances		—	—	43,875	(312,582)	—	—	(268,707)
Common stock paid for, but not issued (25,000 shares)	0.25	—	—	6,250	—	—	—	6,250
Amortization of deferred compensation		—	—	—	—	863,727	—	863,727
Net loss for year ended December 31, 2003		—	—	—	—	—	(2,476,063)	(2,476,063)
Balance, December 31, 2003		**34,128,261**	**34,128**	**6,250**	**10,162,177**	**(708,333)**	**(10,327,608)**	**(833,386)**

SAVE THE WORLD AIR, INC.
(A DEVELOPMENT STAGE ENTERPRISE)

STATEMENTS OF STOCKHOLDERS' DEFICIENCY — Continued
FROM INCEPTION (FEBRUARY 18, 1998) TO DECEMBER 31, 2004

	Price per share	Common Stock		Common stock to be issued	Additional paid-in capital	Deferred compensation	Deficit accumulated during the development stage	Total stockholders' development stage deficiency
		Shares	Amount					
Common stock issued, previously paid for	0.25	25,000	25	(6,250)	6,225	—	—	—
Stock issued for director services on March 31, 2004	1.50	50,000	50	—	74,950	—	—	75,000
Stock issued for finders fees on March 31, 2004	0.15	82,500	82	—	12,293	—	—	12,375
Stock issued for finders fees on March 31, 2004	0.25	406,060	407	—	101,199	—	—	101,606
Stock issued for services on April 2, 2004	1.53	65,000	65	—	99,385	—	—	99,450
Debt converted to stock on April 2, 2004	1.53	60,000	60	—	91,740	—	—	91,800
Stock issued upon exercise of warrants on May 21, 2004	0.20	950,000	950	—	189,050	—	—	190,000
Stock issued for directors services on June 8, 2004	1.70	600,000	600	—	1,019,400	—	—	1,020,000
Stock issued for cash on August 25, 2004	1.00	550,000	550	—	549,450	—	—	550,000
Stock issued upon exercise of warrants on August 30, 2004	0.40	4,000	4	—	1,596	—	—	1,600
Stock issued for cash on September 8, 2004	1.00	25,000	25	—	24,975	—	—	25,000
Stock issued for consulting services on September 15, 2004	1.31	50,000	49	—	65,451	—	—	65,500
Stock issued for patent settlement on September 22, 2004	1.24	20,000	20	—	24,780	—	—	24,800
Stock issued for research and development on October 6, 2004	1.40	65,000	65	—	90,935	—	—	91,000
Stock issued for cash on October 6, 2004	1.00	25,000	25	—	24,975	—	—	25,000
Stock issued for cash on								

October 15, 2004	1.00	150,000	150	—	149,850	—	—	150,000
Stock issued upon exercise of warrants on October 21, 2004	0.40	6,500	6	—	2,594	—	—	2,600
Stock issued for cash on November 3, 2004	1.00	25,000	25	—	24,975	—	—	25,000
Stock issued for cash on November 18, 2004	1.00	172,500	173	—	172,327	—	—	172,500
Stock issued for cash on December 9, 2004	1.00	75,000	75	—	74,925	—	—	75,000
Stock issued for cash on December 23, 2004	1.00	250,000	250	—	249,750	—	—	250,000
Finders fees related to stock issuances		—	—	—	(88,384)	—	—	(88,384)
Common stock paid for, but not issued (119,000 shares)		—	—	119,000	—	—	—	119,000
Intrinsic value of options issued to employees		—	—	—	248,891	(248,891)	—	—
Fair value of options issued to non-employees for services		—	—	—	55,381	(55,381)	—	—
Fair value of warrants issued for settlement costs	—	—	—		1,585,266	—	—	1,585,266
Fair value of warrants issued to non-employees for services	—	—	—	—	28,872	—	—	28,872
Amortization of deferred compensation		—	—	—	—	936,537	—	936,537
Net loss for year ended December 31, 2004		—	—	—	—	—	(6,803,280)	(6,803,280)
		37,784,821	**$37,784**	**$ 119,000**	**$15,043,028**	**$ 76,068**	**$ (17,130,888)**	**$ (2,007,144)**

See notes to financial statements.

SAVE THE WORLD AIR, INC.
(A DEVELOPMENT STAGE ENTERPRISE)

STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2004 AND 2003 AND FOR THE PERIOD FROM INCEPTION (FEBRUARY 18, 1998) TO DECEMBER 31, 2004

	December 31, 2004	December 31, 2003	Cumulative since inception
Cash flows from operating activities			
Net loss	$(6,803,280)	$(2,476,063)	$(17,130,888)
Adjustments to reconcile net loss to net cash used in operating activities:			
Write off of intangible assets	—	—	505,000
Fair value of options issued for services	28,872	—	171,190
Issuance of common stock for services	1,427,750	45,877	5,280,623
Amortization of deferred compensation	936,537	863,727	2,883,113
Depreciation	8,685	5,205	14,417
Non-cash patent settlement cost	1,610,066	—	1,610,066
Changes in operating assets and liabilities:			
Prepaid expenses	(2,602)	—	(2,602)
Income taxes payable	(5,991)	1,064	—
Accrued expenses	388,499	(35,671)	789,497
Net cash used in operating activities	(2,411,464)	(1,595,861)	(5,879,584)
Cash flows from investing activities			
Purchase of property and equipment	(9,037)	(16,525)	(46,463)
Net cash used in investing activities	(9,037)	(16,525)	(46,463)
Cash flows from financing activities			
Increase (decrease) in loans from related parties	(6,425)	4,881	547,928
Advances from founding executive officer	—	—	517,208
Issuance of common stock for cash	1,466,700	2,419,818	4,820,487
Cash received for common stock to be issued	119,000	6,250	125,250
Net cash provided by financing activities	1,579,275	2,430,949	6,010,873
Net (decrease) increase in cash	(841,226)	818,563	84,826
Cash, beginning of period	926,052	107,489	—
Cash, end of period	$ 84,826	$ 926,052	$ 84,826

See notes to financial statements

SAVE THE WORLD AIR, INC.
(A DEVELOPMENT STAGE ENTERPRISE)

STATEMENTS OF CASH FLOWS — Continued
YEARS ENDED DECEMBER 31, 2004 AND 2003 AND FOR THE PERIOD FROM INCEPTION (FEBRUARY 18, 1998) TO DECEMBER 31, 2004

	December 31, 2004	December 31, 2003	Cumulative since inception
Supplemental disclosures of cash flow information			
Cash paid during the year for Interest	$ —	$ —	$ —
Income taxes	$ 2,400	$ —	$ 2,400
Non-cash investing and financing activities			
Acquisition of intangible asset through advance from related party and issuance of common stock	$ —	$ —	$ 505,000
Deferred compensation from stock options issued for services	304,272	—	2,959,181
Purchase of property and equipment financed by advance from related party	—	—	3,550
Conversion of related party debt to equity	15,000	500,000	515,000
Issuance of common stock in settlement of payable	113,492	—	113,492
Common stock issued, previously paid for	6,250	—	—
Fees accrued for issuance of common stock	88,384	312,582	400,966

See notes to financial statements.

SAVE THE WORLD AIR, INC.
(A DEVELOPMENT STAGE ENTERPRISE)

NOTES TO FINANCIAL STATEMENTS

1. Description of business, significant matters and prior period corrections

Description of business

Save the World Air, Inc. (the "Company") was incorporated in Nevada on February 18, 1998 under the name Mandalay Capital Corp. The Company changed its name to Save the World Air, Inc. on February 11, 1999 following the purchase of the Zero Emission Fuel-Saving Device (the "Agreement"). The Company acquired the worldwide exclusive manufacturing, marketing and distribution rights for the Zero Emission Fuel-Saving Device ("ZEFS") by entering into the Agreement. The ZEFS is a product, which is fitted to an internal combustion engine and is expected to reduce carbon monoxide hydrocarbons and toxic exhaust emissions. During the past three years, the Company has been acquiring new technologies, developing products using the Company's technologies and conducting scientific tests regarding the technologies and prototype products. In 2003, the Company acquired worldwide intellectual property and patent rights to technologies which reduce carbon monoxide, hydrocarbon and nitrous oxide emissions in two- and four-stroke motorcycles, fuel-injection engines, generators and small engines. The Company has developed prototype products and named them "CAT-MATE".

2. Summary of significant accounting policies

Development stage enterprise

The Company is a development stage enterprise as defined by Statement of Financial Accounting Standards (SFAS) No. 7, "Accounting and Reporting by Development Stage Enterprises." All losses accumulated since the inception of the Company have been considered as part of the Company's development stage activities.

The Company's focus is on research and development of proprietary devices that are designed to reduce harmful emissions, and improve fuel efficiency and engine performance on equipment and vehicles driven by internal combustion engines and has not yet generated any revenues. The prototype devices are called "ZEFS" (Zero Emission Fuel-Savings Device) and "CAT-MATE." The Company has put forth efforts to complete the design, the development of production models and the promotion of products in the market place worldwide. Expenses have been funded through the sale of company stock. The Company has taken actions to secure the intellectual property rights to the ZEFS and CAT-MATE devices. In addition, the Company has initiated marketing efforts to international governmental entities in cooperation with the United Nations Environmental Programme (UNEP) and various original equipment manufacturers (OEMs), to eventually sell or license the ZEFS and CAT-MATE products and technology.

2. Summary of significant accounting policies - Continued

Liquidity

The Company is subject to the usual risks associated with a development stage enterprise. These risks include, among others, those associated with product development, acceptance of the product by users and the ability to raise the capital necessary to sustain operations. Since its inception, the Company has incurred significant losses. The Company anticipates increasing expenditures over at least the next year as the Company continues its product development and evaluation efforts, and begins its marketing activities. Without significant revenue increases, these expenditures will likely result in additional losses. The Company is in the process of raising additional funds and raised $1,378,316 (net of finders fees of $88,384) in 2004 through the sale of 1,212,500 shares of its common stock in private placement transactions and the exercise of 960,500 warrants and options. (See Note 6.)

Going concern

The accompanying financial statements have been prepared on a going concern basis, which contemplates the realization of assets and the settlement of liabilities and commitments in the normal course of business. As reflected in the accompanying financial statements, the Company had a net loss of $6,803,280 and a negative cash flow from operations of $2,411,464 for the year ended December 31, 2004, and had a working capital deficiency of $1,025,532 and a stockholders' deficiency of $2,007,144 as of December 31, 2004. These factors raise substantial doubt about its ability to continue as a going concern. The ability of the Company to continue as a going concern is dependent on the Company's ability to raise additional funds and implement its business plan. The financial statements do not include any adjustments that might be necessary if the Company is unable to continue as a going concern.

Property and equipment and depreciation

Property and equipment are stated at cost. Depreciation is computed using the straight-line method based on the estimated useful lives of the assets, generally ranging from three to ten years. Expenditures for major renewals and improvements that extend the useful lives of property and equipment are capitalized. Expenditures for repairs and maintenance are charged to expense as incurred. Leasehold improvements are amortized using the straight-line method over the shorter of the estimated useful life of the asset or the lease term.

2. Summary of significant accounting policies - Continued

Long-lived assets

The Company accounts for the impairment and disposition of long-lived assets in accordance with SFAS No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets." In accordance with SFAS No. 144, long-lived assets to be held are reviewed for events or changes in circumstances that indicate that their carrying value may not be recoverable. The Company periodically reviews the carrying value of long-lived assets to determine whether or not an impairment to such value has occurred. No impairments were recorded during the period from inception (February 18, 1998) through December 31, 2004.

Earnings (loss) per share

Basic earnings (loss) per share is computed by dividing net income (loss) available to common stockholders by the weighted average number of common shares outstanding during the period. Diluted earnings per share reflects the potential dilution, using the treasury stock method, that could occur if securities or other contracts to issue common stock were exercised or converted into common stock or resulted in the issuance of common stock that then shared in the earnings of the Company. In computing diluted earnings per share, the treasury stock method assumes that outstanding options and warrants are exercised and the proceeds are used to purchase common stock at the average market price during the period. Options and warrants will have a dilutive effect under the treasury stock method only when the average market price of the common stock during the period exceeds the exercise price of the options and warrants. For the years ended December 31, 2004 and 2003, the dilutive impact of outstanding stock options of 14,422,652 and 13,250,000, respectively, and 15,529,414 and 14,117,414 warrants have been excluded because their impact on the loss per share is antidilutive.

Income taxes

The Company accounts for income taxes in accordance with Statement of Financial Accounting Standards (SFAS) No. 109, "Accounting for Income Taxes." Under SFAS No. 109, income taxes are recognized for the amount of taxes payable or refundable for the current year and deferred tax liabilities and assets are recognized for the future tax consequences of transactions that have been recognized in the Company's financial statements or tax returns. A valuation allowance is provided when it is more likely than not that some portion or all of the deferred tax asset will not be realized.

2. Summary of significant accounting policies - Continued

Stock-based compensation

The Company accounts for stock-based compensation issued to employees using the intrinsic-value method prescribed in Accounting Principles Board Opinion (APB) No. 25, "Accounting for Stock Issued to Employees."

The Company accounts for stock option and warrant grants issued to non-employees using the guidance of SFAS No. 123, "Accounting for Stock-Based Compensation" and EITF No. 96-18: "Accounting for Equity Instruments that are Issued to Other Than Employees for Acquiring, or in Conjunction with Selling, Goods or Services," whereby the fair value of such option and warrant grants is determined using the Black-Scholes option pricing model at the earlier of the date at which the non-employee's performance is completed or a performance commitment is reached.

The Company has elected to account for stock-based compensation using the intrinsic value method prescribed in APB No. 25 and related interpretations, and follow the pro forma disclosure requirements of SFAS No. 123. Accordingly, no compensation expense has been recognized related to the granting of stock options, except as noted above. The following table illustrates the effect on net income as if the Company had applied the fair value recognition provisions of SFAS No. 123 to stock-based employee compensation.

	December 31, 2004	December 31, 2003	Cumulative since inception
Net loss, as reported	$ (6,803,280)	$ (2,476,063)	$ (17,130,888)
Add: total fair value method stock-based employee compensation expense	(1,721,222)	(949,977)	(3,929,504)
Less: deferred compensation amortization for below market employee options	895,001	850,000	2,786,668
Pro forma net loss	$ (7,629,501)	$ (2,576,040)	$ (18,273,724)
Pro forma loss per share	$ (0.21)	$ (0.10)	

2. Summary of significant accounting policies - Continued

The fair market value of the stock options at the grant date was estimated using the Black-Scholes pricing model with the following weighted average assumptions:

Expected life (years)	7.32
Risk free interest rate	5.42%
Volatility	238.46%
Expected dividend yield	0.00%

Business and credit concentrations

The Company's cash balances in financial institutions at times may exceed federally insured limits. As of December 31, 2004, before adjustments for outstanding checks and deposits in transit, the Company had $67,718 on deposit with two banks. The deposits are federally insured up to $100,000 on each bank.

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Certain significant estimates were made in connection with preparing the Company's financial statements. Actual results could differ from those estimates.

Fair value of financial instruments

The carrying amounts of financial instruments, including cash, accounts payable and accrued expenses, professional fees, and payables to related parties and founding officer approximate fair value because of their short maturity as of December 31, 2004.

2. Summary of significant accounting policies - Continued

Recent accounting pronouncements

In November 2004, the FASB issued Statement of Financial Accounting Standards No. 151, "Inventory Costs". This Statement amends the guidance in ARB No. 43 Chapter 4 Inventory Pricing, to require items such as idle facility costs, excessive spoilage, double freight and rehandling costs to be expensed in the current period, regardless if they are abnormal amounts or not. This Statement will become effective for us in the first quarter of 2006. The adoption of SFAS No. 151 is not expected to have a material impact on our financial condition, results of operations, or cash flows.

In December 2004, the FASB issued SFAS No. 123 (revised 2004), "Share-Based Payment" (SFAS 123R), which revises SFAS No. 123. SFAS 123R also supersedes APB No. 25 and amends SFAS No. 95, "Statement of Cash Flows". In general, the accounting required by SFAS 123R is similar to that of SFAS No. 123. However, SFAS No. 123 gave companies a choice to either recognize the fair value of stock options in their income statements or disclose the pro forma income statement effect of the fair value of stock options in the notes to the financial statements. SFAS 123R eliminates that choice and requires the fair value of all share-based payments to employees, including the fair value of grants of employee stock options, be recognized in the income statement, generally over the option vesting period. SFAS 123R must be adopted no later than July 1, 2005 (December 15, 2005 for small business filers). Early adoption is permitted.

The Company is currently evaluating the timing and manner in which it will adopt SFAS 123R. As permitted by SFAS 123, the Company currently accounts for share-based payments to employees using APB 25's intrinsic value method. Accordingly, adoption of SFAS 123R's fair value method will have an effect on results of operations, although it will have no impact on overall financial position. The impact of adoption of SFAS 123R cannot be predicted at this time because it will depend on levels of share-based payments granted in the future. However, had SFAS 123R been adopted in prior periods, the effect would have approximated the SFAS 123 pro forma net loss and loss per share disclosures as shown above. SFAS 123R also requires the benefits of tax deductions in excess of recognized compensation cost to be reported as a financing cash flow, rather than as an operating cash flow as currently required, thereby reducing net operating cash flows and increasing net financing cash flows in periods after adoption.

3. Certain relationships and related transactions

Advances from founding executive officer

All of the marketing and manufacturing rights for the ZEFS were acquired from Mr. Muller, for 5,000,000 shares of common stock, $500,000 and a $10 royalty for each unit sold (see discussion below), pursuant to the Agreement entered into in December 1998, by and between the Company and Mr. Muller. Working capital advances in the amount of $517,208 and payment in the amount of $500,000 for marketing and distribution rights of the ZEFS are due to Mr. Muller. Such amounts are interest free and do not have any due dates for payment (see Note 9).

In January 2000, the Company entered into an agreement offering Mr. Muller and Lynne Muller, Mr. Muller's wife, the option to purchase 5,000,000 shares each at $0.10 per share as consideration for work performed for the Company. Mrs. Muller subsequently transferred her option to Mr. Muller.

In connection with the Company's legal proceedings against Mr. Muller, the Company is attempting to obtain a judgment that will relieve the Company of $1,017,208, which represents all amounts due Mr. Muller. These amounts include the $500,000 due for the marketing and distribution rights of the ZEFS and the working capital advances of $517,208. As described in Note 9, the Company has been relieved of the $10 royalty interest that Mr. Muller held for each unit sold. In addition, the Company is also attempting to obtain a judgment that will cancel the options to purchase 10,000,000 shares granted to Mr. and Mrs. Muller, collectively. Based on the status of current legal proceedings, the Company does not believe that it will have to pay Mr. Muller the $500,000 for the rights to the ZEFS device and the $517,208 of advances. The Company also believes that the option Mr. Muller holds to purchase 10,000,000 shares of the Company's stock will be cancelled and no longer valid. The Company has not made any adjustments for the above in its financial statements as the matters have not yet been finalized and may change.

3. Certain relationships and related transactions - Continued

Loans from related parties

Masry & Vititoe, a law firm in which Edward L. Masry, the Company's Chief Executive Officer, is a partner, has loaned $36,478 and $57,903 as of December 31, 2004 and 2003, respectively, to the Company for working capital purposes. The loans payable to Masry & Vititoe were allocations to the Company for shared expenses, primarily payroll. Loans by Masry & Vititoe were unsecured, non-interest bearing, and were due on demand. In June 2003, Masry & Vititoe converted $500,000 of its loans due from the Company into 2,000,000 shares of common stock and 2,000,000 warrants (see Note 6). In April 2004, accounts payable due this firm totaling $15,000 was converted to 60,000 shares of common stock. The shares issued were valued at the current market price of the date of issuance of $91,800 resulting in additional charge to expense $76,800, which has been reflected in the accompanying financial statements ended December 31, 2004.

In March 2005, Masry & Vititoe loaned an additional $100,000 to the Company for working capital purposes. This loan is unsecured, non-interest bearing and is due on demand.

Lease agreement

In October 2003, the Company entered into a lease agreement with an entity to lease office space for its primary administrative facility. A director of the Company owns the entity (see Note 9).

4. Property and equipment

At December 31, 2004 and 2003, property and equipment consist of the following:

	December 31, 2004	December 31, 2003
Office equipment	$ 50,013	$ 40,976
Less accumulated depreciation	(14,417)	(5,732)
	$ 35,596	$ 35,244

Depreciation expense for the year ended December 31, 2004 and 2003 was $8,685 and $5,205, respectively.

5. Income taxes

The Company has net operating loss (NOL) carryforwards in the amount of approximately $11.1 million, which begin to expire in 2018. The deferred tax asset related to these NOL carryforwards has been fully reserved. The provision for income taxes represents the minimum state income taxes payable plus estimated penalties and interest.

The Company's ability to utilize its NOL is dependent upon current filing status with the Internal Revenue Service (IRS) and is subject to the IRS's statute of limitations. Currently, the Company has not filed any returns with the IRS.

A reconciliation of the Company's tax provision to income taxes at the applicable statutory rates is shown below.

	December 31, 2004	December 31, 2003
Income taxes at statutory federal rate	$(2,316,681)	$ (841,861)
State income taxes, net of federal benefit	(408,197)	(148,564)
Valuation allowance	2,721,312	990,425
Minimum state income taxes, plus penalties and interest	800	1,020
	$ (2,766)	$ 1,020

6. Stockholders' deficiency

As of December 31, 2003, the Company has authorized 200,000,000 shares of its common stock, of which 37,784,821 shares were issued and outstanding, and 119,000 shares are to be issued. As described in Note 1, estimates and judgments were used by management to determine the fair value for certain issuances of the outstanding shares.

The Company's significant stockholders are as follows:

	Number of shares	Percentage ownership
Mr.Edward Skoda	4,000,000	10.6%
Mr. Edward Masry	3,060,000	8.1%
Remaining stockholders	30,724,821	81.3%
	37,784,821	100.0%

6. Stockholders' deficiency

In connection with the cross complaint the Company has filed against Mr. Muller, the Company is seeking various legal remedies relating to 8,716,710 shares previously obtained and controlled, directly or indirectly, by Mr. Muller (see Note 9). The Company is also seeking the rescission of options to purchase 10,000,000 shares of the Company's stock held by Mr. Muller (see Notes 3 and 9). Management cannot predict the outcome of any of the pending matters related to the shares controlled by Mr. Muller, or if the 10,000,000 option shares will be rescinded.

In June 2003, the Company issued 2,000,000 shares of common stock and 2,000,000 warrants to convert $500,000 of related party debt into equity (see Note 7).

In October 2003, the Company sold 25,000 shares of its common stock in a series of private placement transactions. The Company received proceeds, net of offering costs, in the amount of $6,250 for the shares prior to December 31, 2003, but did not issue the stock certificates until February 2, 2004. These shares are shown as common stock to be issued in the accompanying financial statements.

In April 2004, the Company issued 60,000 shares of common stock to convert $15,000 of an outstanding loan made to us by Joette Masry, the wife of our Chief Executive Officer, Edward L. Masry (see Note 3). The shares issued were valued at the current market price of the date of issuance of $91,800 resulting in additional charge to expense $76,800, which has been reflected in the accompanying financial statements ended December 31, 2004.

During 2004, the Company sold 1,272,500 units, consisting of one share of common stock and one warrant to acquire a share of common stock at $1.50 for $1,272,500.

During 2004, the Company issued 960,500 shares of common stock for $194,200 from the exercise of 960,500 warrants.

In November and December 2004, the Company sold 119,000 shares of its common stock in a series of private placement transactions. The Company received proceeds, net of offering costs, in the amount of $119,000 for the shares prior to December 31, 2004, but did not issue the stock certificates until 2005. These shares are shown as common stock to be issued in the accompanying financial statements.

7. Stock options and warrants

Option agreements

The Company issues stock options to employees, directors and consultants under no formal plan. Employee options vest according to the terms of the specific grant and expire from 5 to 10 years from date of grant. Non-employee option grants to date are vested upon issuance. The weighted average remaining contractual life of employee options outstanding at December 31, 2004 was 7.32 years. Stock option activity for the years ended December 31, 2004 and 2003, was as follows:

	Weighted Avg. Options	Weighted Avg. Exercise Price
Options outstanding, January 1, 2003	13,250,000	$ 0.11
Options granted	—	—
Options exercised	—	—
Options cancelled	—	—
Options, December 31, 2003	13,250,000	0.11
Options granted	1,172,652	1.03
Options exercised	—	—
Options cancelled	—	—
Options, December 31, 2004	14,422,652	$ 0.18

7. Stock options and warrants - Continued

Options outstanding at December 31, 2004 and the related weighted average exercise price and remaining life information is as follows:

Range of exercise prices	Total options outstanding	Weighted average remaining life in years	Total weighted average exercise price	Options exercisable	Weighted average exercise price
$0.10	10,000,000	N/A	$0.10	10,000,000	$0.10
0.10	3,000,000	4.84	0.10	3,000,000	0.10
0.40	250,000	3.99	0.40	250,000	0.40
0.98	900,000	3.99	0.98	-	-
1.15	86,956	3.99	1.15	-	-
1.27	185,696	3.99	1.27	-	-
$0.10-$1.27	14,422,652	4.73	$0.18	13,250,000	$0.16

The 10,000,000 options exercisable at $0.10 per share in the table above are held by Mr. Muller. The options have been accounted for as employee stock options under the provisions of APB No. 25. Accordingly, no compensation expense has been recorded in the statements of operations. However, the $1,000,000 fair value of the options has been reflected in the pro forma net loss below. The 10,000,000 options do not have an expiration date and vested in 1999. For purposes of computing fair value method stock-based employee compensation expense for the 10,000,000 employee options above, a ten-year life was used in the Black-Scholes option-pricing model, as ten years is the longest term for other option grants.

Intrinsic value of employee options

Certain employee options were granted with exercise prices less the than fair market value of the Company's stock at the date of grant. As the grants were to employees, the intrinsic value method, as allowed under APB No. 25, was used to calculate the related compensation expense. For the years ended December 31, 2004, $248,891 of deferred compensation was recorded and $936,537 and $863,727 of deferred compensation costs was amortized and recognized as expense in the years ending December 31, 2004 and 2003 respectively.

7. Stock options and Warrants - Continued

Warrants

The following table summarizes certain information about the company's stock purchase warrants.

	Warrants	Weighted Avg. Exercise Price
Warrants outstanding, January 1, 2003	2,600,000	$ .39
Warrants granted	11,517,414	.50
Warrants exercised	—	—
Warrants cancelled	—	—
Warrants outstanding, December 31, 2003	14,117,414	.48
Warrants granted	2,372,500	1.27
Warrants exercised	(960,500)	.20
Warrants cancelled	—	—
Warrants outstanding, December 31, 2004	15,529,414	$ 0.62

In 2003, 11,517,414 warrants were issued to investors and non-employees. In 2003, $8,933,483 of the total fair value of $10,173,653 was related to 9,434,000 warrants issued to private placement investors and $1,240,171 was related to the 2,083,414 warrants issued in connection with the related party debt settlement and legal services.

During the year ended December 31, 2004, the Company issued 1,000,000 10 year warrants to acquire 1,000,000 shares of the Company's common stock. The warrants require a payment of $1 for each share purchased. The warrants were issued to finalize a settlement with the bankruptcy trustee and others who had claims to ZEFS technology in exchange for the full release of their claims. The Company valued the warrants at $1,585,265 and reflected the amount as patent settlement costs during the year ended December 31, 2004. The warrants were issued in July 2004 when the Company became current in its SEC filings. The warrants were valued by the Company using the Black Scholes pricing model using a ten year term (statutory term), 46.2% volatility, no annual dividends, and a discount rate of 4.57%. The trustee and the other individuals will also receive royalties when the product is sold. There are no required royalties payable under this agreement for the year ending December 31, 2004.

During 2004, the Company issued 100,000 warrants to two consultants and using the Black Scholes pricing model, the fair value of these warrants was valued at $53,300 and included as compensation expense. The remaining 1,272,500 warrants issued during 2004 were issued to investors as part of equity agreement and were not ascribed any valued in the accompanying financial statements.

8. Research and development

The Company has established a research and development facility in Queensland, Australia where test vehicles, test engines and testing equipment were purchased. The Company has expanded research and development to include applications of the ZEFS and CAT-MATE technology to diesel engines, motorbikes, boats, generators, lawnmowers and other small engines. The Company has also purchased test vehicles, test engines and testing equipment. The Company completed testing on ZEFS and CAT-MATE devices for multiple automobiles, trucks, motorcycles, off-road vehicles and stationary engines, the results of which have been provided to RAND Corporation (RAND) for evaluation. During 2004, RAND expanded its role with the Company and now oversees the Company's research and development facility in Australia. The Company also uses third party research and development facilities in Los Angeles and San Jose, California for the development of our ZEFS and CAT-MATE devices. For the years ended December 31, 2004 and 2003, the Company has spent $1,873,464 and $628,832, respectively, on research and development.

9. Commitments and contingencies

Legal matters

On December 19, 2001, the SEC filed civil charges in the United States Federal District Court, Southern District of New York, against its former President and then sole director Jeffrey A. Muller, and others, alleging that the Company and the other defendants were engaged in a fraudulent scheme to promote the Company's stock. The SEC complaint alleged the existence of a promotional campaign using press releases, Internet postings, an elaborate website, and televised media events to disseminate false and materially misleading information as part of a fraudulent scheme to manipulate the market for stock for the Company, which was then controlled by Mr. Muller. On March 22, 2002, the Company signed a Consent to Final Judgment of Permanent Injunction and Other Relief in settlement of this action as against the corporation only, which the court approved on July 2, 2002. Under this settlement, the Company was not required to admit fault and did not pay any fines or restitution. The SEC's charges of fraud and stock manipulation continue against Mr. Muller and others.

On July 2,2002, after an investigation by the Company's newly constituted board of directors, the Company filed a cross-complaint in the SEC action against Mr. Muller and others seeking injunctive relief, disgorgement of monies and stock and financial restitution for a variety of acts and omissions in connection with sales of the Company's stock and other transactions occurring between 1998 and 2002. Among other things, the Company alleged that Mr. Muller and certain others sold company stock without providing adequate consideration to the Company; sold insider shares without making proper disclosures and failed to make necessary filings required under federal securities laws; engaged in self-dealing and entered into various undisclosed related-party transactions; misappropriated for their own use proceeds from sales of the Company's stock; and entered into various undisclosed arrangement regarding the control, voting and disposition of their stock. The Company contends that it is entitled to a judgment canceling all of the approximately 8,716,710 shares of the Company's common stock that were previously obtained and controlled, directly or indirectly, by Mr, Muller; divesting and preventing any subsequent holders of the right to exercise options previously held by Mr. Muller for 10,000,000 shares of the Company's common stock, conversion of an existing preliminary injunction to a permanent injunction to prevent Mr. Muller from any involvement with the Company and a monetary judgment against Mr. Muller and others in the amount of several million dollars.

9. Commitments and contingencies - Continued

Legal matters — Continued

On July 30, 2002, the U.S. Federal District Court, Southern District of New York, granted the Company's application for a preliminary injunction against Mr. Muller and others, which prevented Mr. Muller and other cross-defendants from selling, transferring, or encumbering any assets and property previously acquired from the Company, from selling or transferring any of the Company's stock that they may own or control, or from taking any action to injure the business and from having any direct contact with the Company's shareholders. The injunctive order also prevents Mr. Muller from engaging in any effort to exercise control over the Company and from serving as an officer or director of the Company. The Company believes that they have valid claims, there can be no assurance that an adverse result or settlement would not have a material adverse effect on the Company's financial position or cash flow.

In the course of the litigation, the Company has obtained ownership control over Mr. Muller's claimed patent rights to the ZEFS device. Under a Buy-Sell Agreement between Mr. Muller and dated December 29, 1998, Mr. Muller, who was listed on the ZEFS devise patent application as the inventor of the ZEFS device, purported to grant us all international marketing, manufacturing and distribution rights to the ZEFS device. Those rights were disputed because an original inventor of the ZEFS device contested Mr. Muller's legal ability to have conveyed those rights. In Australia, Mr. Muller entered into a bankruptcy action seeking to overcome the Company's claims for ownership of the ZEFS device. In conjunction with these litigation proceedings, a settlement agreement was reached whereby the $10 per unit royalty previously due to Mr. Muller under his contested Buy-Sell Agreement was terminated and replaced with a $.20 per unit royalty payable to the bankruptcy trustee. On November 7, 2002, under a settlement agreement executed with Mr. Muller's bankruptcy trustee, the trustee transferred to the Company all ownership and legal rights to this international patent application for the ZEFS device.

Both the SEC and the Company have filed Motions for Summary Judgment contending that there are no material issues of fact in contention and as a matter of law, the Court should grant a judgment against Mr. Muller and the cross-defendants. Mr. Muller has filed a response contending the motions are without merit or substance. A final decision on these motions, which potentially would terminate the ongoing litigation, is still pending. Should the Court not grant summary judgment in favor of the Company, the case will be scheduled for final disposition in a trial.

9. Commitments and contingencies - Continued

Legal matters — Continued

Mr. Muller and several of the defendants filed a Motion to Dismiss the complaint filed by the Company and moved for summary judgment in their favor. On December 21, 2004, Judge George B. Daniels, denied the cross-defendants' motion to dismiss the Company's cross-complaint, denied the request to vacate the July 2, 2002 preliminary injunction and denied the request for damages against the Company. The court also refused to grant a summary judgment in favor of the cross-defendants and dismissed Mr. Muller's claims against the Company for indemnification for his legal costs and for damages resulting from the litigation. Neither Mr. Muller nor any of the cross-defendants have filed any cross-claims against the Company and the Company is not exposed to any liability as a result of the litigation, except for possibly incurring legal fees and expenses should the Company lose the litigation.

Although the outcome of this litigation cannot be predicted with any degree of certainty, the Company is optimistic that the Court's ruling will either significantly narrow the issues for any later trial or will result in a final disposition of the case in a manner favorable to the Company. The Company believes that they have valid claims, however, there can be no assurance that an adverse result or outcome on the pending motions or a trial of this case would not have a material adverse effect on the Company's financial position or cash flow.

The Company was named as a defendant in a complaint filed before the Los Angeles Superior Court, Civ. No. BC 312401, by Terracourt Pty Ltd, an Australian corporation, claiming breach of contract and related remedies from promises allegedly made by the former president of the Company in 1999. The plaintiff is seeking specific performance of the former president's alleged promises to transfer to the plaintiff an aggregate 480,000 shares of the Company's common stock for office consultant and multimedia services. The complaint was filed on March 18, 2004. Due to a late date of service of the complaint upon the Company and other preliminary legal procedures, the Company's answer was not filed until October 20, 2004. The Company is opposing the plaintiff's causes of action and has asserted that the Company has no liability for the claims asserted. The matter has been scheduled for further motion and trial proceedings in late April 2005 and is expected to be concluded by early June 2005.

Royalty agreements

The Company has entered into various royalty agreements whereby it has agreed to provide an aggregate of $0.80 per unit for each ZEFS device sold. Certain of these royalty agreements were reached in exchange for the royalty recipients' release of their claims to the intellectual property rights to the ZEFS.

In connection with these royalty agreements, the Company has committed to issue options to purchase an aggregate of 1,000,000 shares of common stock at $1.00 per share. The options expire 10 years from the date of grant. These options were granted by the Company on July 1, 2004 when the company became in full compliance with the SEC reporting requirements.

Also, in connection with the royalty agreements, the Company has issued an aggregate of 128,000 shares of common stock upon completion of successful ZEFS testing, as defined. On April 1, 2004, the company issued 600,000 shares at $1.70 per share, to fulfill the terms of the two-year research and development consulting agreements.

9. Commitments and contingencies - Continued

Royalty agreements — Continued

In July 2004, the Company executed a License Agreement with Temple University in Philadelphia, Pennsylvania. In consideration of the license granted to Licensee under the terms of this Agreement, Licensee shall pay to Temple a royalty of two percent (2%) of net sales for each calendar quarter during the term of this Agreement.

In further consideration of the license granted to Licensee under the terms of this Agreement, Licensee shall pay to Temple, on the first anniversary of the expiration of the option period, a non-refundable license fee of fifty thousand dollars ($50,000). In further consideration of the license granted to licensee under the terms of this Agreement, licensee shall pay to Temple, on the second anniversary of the expiration of the option period and annually thereafter, a non-refundable license maintenance fee regardless of or irrespective of actual net sales. The amount of each license maintenance fee payment shall be as follows: (i) twenty five thousand dollars ($25,000) for the first through fourth payment, and (ii) fifty thousand dollars ($50,000) for all subsequent payments.

This undertaking relates to commercialization of myriads of products that the Company hopes will be widely accepted by the petroleum industry. The Company has applied for patent protection for this new technology. Use of these new SWA products may extend the life of world oil reserves and be beneficial in reducing future damage to the world's ecology, threatened by oil exploration.

The Company expects that by mid-2005 the feasibility study, including market assessment and the theoretical and engineering evaluations, will have been completed. If at that time the Company determines the products are both practical to engineer and will be accepted by the petroleum industry, the Company may then proceed with the design of prototypes, a demonstration program and the commercialization of these products.

In October 2004, the Company entered into a representation agreement with an individual who will represent and introduce the Company to key personnel in India. The representative was granted 50,000 warrants at $1.00 upon signing of the agreement. Once all duties have been performed, the representative will receive an additional 50,000 warrants at the medium price of stock traded on March 31, 2005 at a discount of 30%, plus 2% royalty on gross receipts from contracts that are signed from his contract. The fair value of the 50,000 warrants issued upon signing was $24,428 using the Black-Scholes pricing model and was reflected as compensation costs in the accompanying financial statement.

9. Commitments and contingencies - Continued

Royalty agreements

In November 2004, the Company entered into an agreement with an outside consultant to provide various consulting and management services. In exchange for these services the Company has agreed to pay a royalty of 1.25% of gross receipts for sales originating in certain geographic locations paid over a 10 years period. In addition, the company issued 50,000 warrants at $1.00 to the consultant. The fair value of the 50,000 warrants issued is $28,872 using the Black-Scholes pricing model and was reflected as compensation costs in the accompanying financial statement. Furthermore, the Company agreed to issue warrants to purchase 450,000 shares of common stock of the Company, issuable upon the Company making a formal public announcement that it has entered into a binding joint venture, strategic alliance or similar agreement with the Strategic Partner. Such warrants shall have a term of five years and an exercise price of $1.00 per share.

Employment agreements

In March 2004, the Company entered into an amendment to the employment agreement dated December 1, 2003 with an individual to serve as the Company's President. The agreement expires December 2007, with an automatic extension for one additional year and calls for annual base compensation of not less than $240,000 for the period ending December 31, 2004. During the employment term, the individual is eligible to participate in certain incentive plans, stock option plans, and similar arrangements in accordance with the Company's recommendation at award levels consistent and commensurate with the position and duties hereunder.

In March 2004, the Company entered into an amendment to the employment agreement dated December 1, 2003 with an individual to serve as the Company's Chief Operating Officer. The agreement expires December 2007, with an automatic extension for one additional year and calls for annual base compensation of not less than $192,000 for the period ending December 31, 2004. During the employment term, the individual is eligible to participate in certain incentive plans, stock option plans, and similar arrangements in accordance with the Company's recommendation at award levels consistent and commensurate with the position and duties hereunder.

9. Commitments and contingencies - Continued

Employment agreements

In September 2004, the Company entered into an employment agreement with an individual to serve as the Company's Vice President of Environmental Affairs. The agreement expires September 2005, with an automatic extension for one additional year and calls for annual base compensation of not less than $60,000 per year. During the employment term, the individual is eligible to participate in certain incentive plans, stock option plans, and similar arrangements in accordance with the Company's recommendation at award levels consistent and commensurate with the position and duties hereunder.

Leases

In June 2004, the Company amended its sublease of a portion of a building in North Hollywood, California from an entity that is owned by a director of the Company. The lease term is from November 1, 2003 through October 31, 2005 and carries an option to renew for two additional years with a 10 percent increase in the rental rate. Monthly rent is $3,400 per month under this lease with the remaining commitment of $34,000 through October 31, 2005.

In November 2003, the Company entered into a lease for a research and development facility located in Queensland, Australia. The term of the lease is from November 15, 2003 through November 15, 2005 and carries an option to renew for two additional years with an increase of the greater of 5% or the increase in the then-current Australian Consumer Price Index. Monthly rent is AUD $1,292 (approximately US $1,000) per month under this lease with the remaining commitment of AUD $14,212 through November 15, 2005.

10. Subsequent events

In 2005, the Company sold 709,500 units, consisting of one share of common stock and one warrant to acquire common stock at $1.50 per share for $664,200 in a series of private placements.

Item 8. ***Changes in and Disagreements with Accountants on Accounting and Financial Disclosure***

In April 2003, the SEC promulgated rules that no annual or quarterly report submitted to the SEC may include financial reports audited by independent public accountants unregistered with the Public Company Accounting Oversight Board (PCAOB). Our prior accountants, Good Swartz Brown & Berns, LLP, indicated that they would not be registered with the PCAOB, and as such, they resigned as our independent public accountants. On November 21, 2003, our Board of Directors approved the dismissal of Good Swartz Brown & Berns, LLP as our independent public accountant and retained Weinberg & Company, P.A.

During the last fiscal year prior to and preceding the resignation of Good Swartz Brown & Berns, LLP and any subsequent interim period preceding such resignation, there were no disagreements with Good Swartz Brown & Berns, LLP on any matter of accounting principles or practices, financial statement disclosure or auditing scope or procedure, which disagreements, if not resolved to Good Swartz Brown & Berns, LLP's satisfaction, would have caused it to make reference to the subject matter of the disagreement in connection with its reports; and there were no reportable events described under Item 304(a)(1)(iv) of Regulation S-B. During the last two fiscal years, Good Swartz Brown & Berns did not issue any audit reports containing a disclaimer or adverse or qualified opinion.

We did not consult with Weinberg & Company, P.A. for the year ended December 31, 2002 and through November 21, 2003, with respect to (i) the application of accounting principles to a specified transaction, either completed or proposed, or the type of audit opinion that might be rendered on our financial statements or (ii) any matter that was the subject of any prior disagreement between us and our previous independent accountant.

Item 8A. ***Controls and Procedures***

(a) *Evaluation of disclosure controls and procedures:* Our management evaluated, with the participation of our Chief Executive Officer and Chief Financial Officer, the effectiveness of our disclosure controls and procedures as of the end of the period covered by this Annual Report on Form 10-KSB. Based on this evaluation, our Chief Executive Officer and Chief Financial Officer have concluded that our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934 (the Exchange Act)) are inadequate to ensure that information required to be disclosed by us in reports that we file or submit under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in SEC rules and forms. We are developing a plan to ensure that all information will be recorded, processed, summarized and reported on a timely basis. This plan is dependent, in part, upon reallocation of responsibilities among various personnel, possibly hiring additional personnel and additional funding. It should also be noted that the design of any system of controls is based in part upon certain assumptions about the likelihood of future events, and there can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions, regardless of how remote.

(b) *Changes in internal control over financial reporting:* There was no change in our internal control over financial reporting that occurred during the period covered by this Annual Report on Form 10-KSB that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

Item 8B. Other Information

None.

PART III

Certain information required by Part III is incorporated by reference from our Proxy Statement to be filed with the Securities and Exchange Commission in connection with the solicitation of proxies for our 2005 Annual Meeting of Stockholders to be held on May 24, 2005 (the "Proxy Statement").

Item 9. ***Directors and Executive Officers of Registrant***

The information required by this section is incorporated by reference from the section entitled "Proposal 1 — Election of Directors" in the Proxy Statement. Item 405 of Regulation S-B calls for disclosure of any known late filing or failure by an insider to file a report required by Section 16 of the Exchange Act. This disclosure is incorporated by reference to the section entitled "Section 16(a) Beneficial Ownership Reporting Compliance" in the Proxy Statement. The information required by this Item with respect to our executive officers is contained in Item 1 of Part I of this Annual Report under the heading "Business — Executive Officers".

Item 10. ***Executive Compensation***

The information required by this section is incorporated by reference from the information in the section entitled "Executive Compensation" in the Proxy Statement.

Item 11. ***Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters***

The information required by this section is incorporated by reference from the information in the section entitled "Security Ownership of Certain Beneficial Owners and Management" in the Proxy Statement.

Item 12. ***Certain Relationships and Related Transactions***

The information required by this section is incorporated by reference from the information in the section entitled "Certain Relationships and Related Transactions" in the Proxy Statement.

Item 13. ***Exhibits and Reports on Form 8-K***

(a) The following documents are filed as part of this Form 10-KSB.

Financial Statements:

Reference is made to the contents to Financial Statements of Save the World Air, Inc. under Item 7 of this Form 10-KSB.

(b) Exhibits:

The exhibits listed below are required by Item 601 of Regulation S-B.

Exhibit No.	Description
3.1(1)	Articles of Incorporation, as amended, of the Registrant.
3.2(1)	Bylaws of the Registrant.
10.1(2)	Commercial Sublease dated October 16, 2003 between the Registrant and KZ Golf, Inc.
10.2*	Amendment dated June 15, 2004 to Exhibit 10.1
10.3(2)	General Tenancy Agreement dated November 15, 2003 between the Registrant and Autumlee Pty Ltd.
10.4(3)	Agreement dated December 13, 2002 between the Registrant and RAND.
10.5(2)**	Agreement dated May 7, 2003 between the Registrant and RAND.
10.6(4)	Modification No. 1 dated as of August 21, 2003 to Exhibit 10.5

Exhibit No.	Description
10.7(4)	Modification No. 2 dated as of October 17, 2003 to Exhibit 10.5
10.8(4)	Modification No. 3 dated as of January 20, 2004 to Exhibit 10.5
10.9(5)	Deed and Document Conveyance between the Trustee of the Property of Jeffrey Ann Muller and Lynette Anne Muller (Bankrupts).
10.10(5)	Assignment and Bill of Sale dated May 28, 2002 between the Registrant and Kevin Charles Hart.
10.11(6)†	Consulting Agreement dated December 1, 2003 between the Registrant and Joseph Helleis.
10.12(6)†	Employment Agreement dated December 1, 2003 between the Registrant and Edward L. Masry.
10.13(6)†	Employment Agreement dated December 1, 2003 between the Registrant and Eugene E. Eichler.
10.14*†	Amendment dated as of March 2, 2004 to Exhibit 10.13
10.15(6)†	Employment Agreement dated December 1, 2003 between the Registrant and Bruce H. McKinnon.
10.16*†	Amendment dated as of March 2, 2004 to Exhibit 10.15
10.17(7)	Save the World Air, Inc. 2004 Stock Option Plan
10.18*	Form of Incentive Stock Option Agreement under 2004 Stock Option Plan
10.19*	Form of Non-Qualified Stock Option Agreement under 2004 Stock Option Plan
10.20*	Consulting Agreement dated as of April 1, 2003 between the Registrant and Adrian Menzell
10.21*	Consulting Agreement dated as of April 1, 2003 between the Registrant and Pat Baker
10.22*	Consulting Agreement dated as of April 1, 2003 between the Registrant and John Kostic
10.23*	Consulting Agreement dated as of October 1, 2004 between the Registrant and John Fawcett
10.24*	Advisory Services Agreement dated as of February 26, 2003 between the Registrant and Kevin Charles Hart
10.25*	Advisory Services Agreement dated as of July 7, 2003 between the Registrant and Sir Jack Brabham
10.26(8)	License Agreement dated as of July 1, 2004 between the Registrant and Temple University – The Commonwealth System of Higher Education
10.27*	Exclusive Capital Raising Agreement dated as of July 29, 2004 between the Registrant and London Aussie Marketing, Ltd.
10.28*	Consulting Agreement dated as of November 19, 2004 between the Registrant and London Aussie Marketing, Ltd.
10.29*†	Employment Agreement dated September 1, 2004 with Erin Brockovich
10.30*	Representation Agreement dated as of October 1, 2004 between the Registrant and Gurminder Singh
10.31*	Advisory Services Agreement dated as of August ____, 2002 between the Registrant and Bobby Unser, Jr.
10.32*	Advisory Services Agreement dated as of August ____, 2002 between the Registrant and Jack Reader
10.33*†	Advisory Services Agreement dated as of August ____, 2002 between the Registrant and Nate Sheldon
10.34*	Assignment of Patent Rights dated as of September 1, 2003 between the Registrant and Adrian Menzell
10.35*	Global Deed of Assignment dated June 26, 2004 between the Registrant and Adrian Menzell
14.1*	Code of Business Conduct and Ethics
14.2*	Code of Ethics for Senior Executives and Financial Officers
23.1*	Consent of Weinberg & Co.
24*	Power of Attorney (included on Signature Page)
31.1*	Certification of Chief Executive Officer of Annual Report Pursuant to Rule 13(a)—15(e) or Rule 15(d)—15(e).
31.2*	Certification of Chief Financial Officer of Annual Report Pursuant to 18 U.S.C. Section 1350.
32.1*	Certification of Chief Executive Officer and Chief Financial Officer of Annual Report pursuant to Rule 13(a)—15(e) or Rule 15(d)—15(e).

* Filed herewith.

** Confidential treatment previously requested.

† Management contract or compensatory plan or arrangement.

(1) Incorporated by reference from Registrant's Registration Statement on Form 10-SB (Registration Number 000-29185), as amended, filed on March 2, 2000.

(2) Incorporated by reference from Registrant's Form 10-KSB for the fiscal year ended December 31, 2002.
(3) Incorporated by reference from Registrant's Form 8-K filed on December 30, 2002.
(4) Incorporated by reference from Registrant's Form 10-QSB for the quarter ended March 31, 2004.
(5) Incorporated by reference from Registrant's Form 8-K filed on November 12, 2002.
(6) Incorporated by reference from Registrant's Form 10-KSB for the fiscal year ended December 31, 2003.
(7) Incorporated by reference from Appendix C of Registrant's Schedule 14A filed on April 30, 2004, in connection with its Annual Meeting of Stockholders held on May 24, 2004.
(8) Incorporated by reference from Registrant Form 8-K filed on July 12, 2004.

Item 14. ***Principal Accountant Fees and Services***

The information required by this section is incorporated by reference from the information in the section entitled "Proposal 3 — Ratification of Appointment of Independent Auditors" in the Proxy Statement.

SIGNATURES

In accordance with Section 13 or 15(d) of the Exchange Act, the Registrant has caused this report to be signed on its behalf by the undersigned, hereunto duly authorized.

Save The World Air, Inc.

By: /s/ EDWARD L. MASRY
Edward L. Masry
Chief Executive Officer

Date: April 25, 2005

POWER OF ATTORNEY

KNOW ALL PERSONS BY THESE PRESENTS, that each person whose signature appears below constitutes and appoints, jointly and severally, Eugene E. Eichler and Bruce H. McKinnon, and each of them, as his or her true and lawful attorneys-in-fact and agents, with full power of substitution and resubstitution, for him or her and in his or her name, place and stead, in any and all capacities, to sign any and all amendments to this Annual Report on Form 10-KSB, and to file the same, with all exhibits thereto, and other documents in connection therewith, with the Securities and Exchange Commission, granting unto said attorneys-in-fact and agents, and each of them, full power and authority to do and perform each and every act and thing requisite and necessary to be done in connection therewith, as fully to all intents and purposes as he or she might or could do in person, hereby ratifying and confirming all that said attorneys-in-fact and agents, or any of them, or their or his or her substitute or substitutes, may lawfully do or cause to be done by virtue hereof.

Pursuant to the requirements of the Securities Exchange Act of 1934 this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

Name	Title	Date
/s/ EDWARD L. MASRY Edward L. Masry	Chief Executive Officer and Chairman of the Board	April 25, 2005
/s/ EUGENE E. EICHLER Eugene E. Eichler	President, Chief Financial Officer, Treasurer and Director	April 25, 2005
/s/ BRUCE H. McKINNON Bruce H. McKinnon	Chief Operating Officer and Director	April 25, 2005
/s/ ROBERT F. SYLK Robert F. Sylk	Director	April 25, 2005
/s/ J. JOSEPH BROWN J. Joseph Brown	Director	April 25, 2005
/s/ JOHN F. PRICE John F. Price	Director	April 25, 2005
/s/ JOSEPH HELLEIS Joseph Helleis	Director	April 25, 2005

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(8) Incorporated by reference from Registrant Form 8-K filed on July 12, 2004.

Exhibit 10.2

ADDENDUM TO COMMERCIAL SUBLEASE

This is an Addendum to that Commercial Sublease (Master Lease) dated October 16th, 2003 and is made between KZG (hereinafter "Sublessor") and Save the World Air, Inc. (hereinafter "Sublessee").

Sublessee hereby leases from Sublessor the additional premises described herein on the following terms and conditions.

1. Description of Additional Sublet Property.

Sublessor sublets one additional office on the South side of the building located at 5125 Lankershim Blvd., North Hollywood, CA 91601.

2. Term and Rent.

Sublessor demises the additional premises for a term to run concurrent with the Master Lease and shall commence June 1, 2004 and terminating on October 31, 2005, or sooner as provided herein at an additional rental of $1,400 per month payable in equal installments in advance on the first day of each month in the sum of $1,400 per month during the term of the Master Lease.

3. Option to Renew.

Provided that Sublessee is not in default in the performance of this lease and the Master lease, Sublessee shall have the option to renew the Sublease for an additional term of two years commencing at the expiration of the initial lease term. All of the terms and conditions of the Sublease shall apply during the renewal term except that the Sublease payment shall be 10% greater for this additional space, which will bring the total due for the initial space in the master lease ($2,000) and this additional space ($1,400) a total of $3,400 shall be 10% greater or $3,740 per month. The option shall be exercised by a written notice given to Sublessor not less than sixty (60) days prior to the expiration of the initial Sublease term. If notice is not timely given, this option will expire.

4. All other Terms and Conditions from the Commercial Sublease (Master Lease) shall remain in full force and effect.

Signed this 15th day of June, 2004 in North Hollywood, California:

SAVE THE WORLD AIR, INC.

/s/ EUGENE EICHLER

By: Gene Eichler
Title: CFO

KZG

/s/ JENNIFER KING

By: Jennifer King
Title: President

Exhibit 10.14

AMENDMENT TO EMPLOYMENT AGREEMENT

This **AMENDMENT** (***"Amendment"***) is entered into for the purpose of amending certain provisions of that certain **EMPLOYMENT AGREEMENT** (*"Agreement"*) entered into as of December 1, 2003 by and between **Save the World Air, Inc.,** a Nevada corporation (the ***"Company"***) and Eugene E. Eichler ***("Executive")*** and this Amendment is incorporated into the Agreement by this reference.

1. Paragraph 4. Position and Duties is amended by deleting the following:

"The Executive shall serve as Chief Operating Officer of STWA and he shall have such responsibilities, duties and authority as may, from time to time, be generally associated with such position and or as specifically detailed in the company's official "Position Description.""

and replacing it with the following:

"The Executive shall serve as President of the Company and he shall have such responsibilities, duties and authority as may, from time to time, be generally associated with such position and or as specifically detailed in the company's official "Position Description.""

2. Paragraph 5. Compensation and Related Matters is amended by deleting the following:

"**Base Compensation**. During the period of the Executive's employment hereunder, STWA shall pay to him annual base compensation as follows:

For the period from March 2, 2004 to December 31, 2004 at an annual rate not less than $192,000.00;"

and replacing it with the following:

"**Base Compensation**. During the period of the Executive's employment hereunder, the Company shall pay to him annual base compensation as follows:

For the period from March 2, 2004 to December 31, 2005 at an annual rate of $240,000 and from January 1, 2005 to December 31, 2007 at an annual rate not less than $240,000;"

All other terms and conditions of the Agreement not expressly amended hereby shall remain in full force and effect.

IN WITNESS WHEREOF, the parties have executed this Amendment as of March 2, 2004.

"EXECUTIVE"

/s/ EUGENE E. EICHLER

Name: Eugene E. Eichler

SAVE THE WORLD AIR, INC.

By /s/ EDWARD L. MASRY

Name: Edward L. Masry

Title: Chief Executive Officer

Exhibit 10.16

AMENDMENT TO EMPLOYMENT AGREEMENT

This **AMENDMENT** (***"Amendment"***) is entered into for the purpose of amending certain provisions of that certain **EMPLOYMENT AGREEMENT** (*"Agreement"*) entered into as of December 1, 2003 by and between **Save the World Air, Inc.,** a Nevada corporation (the ***"Company"***) and Bruce H. McKinnon ***("Executive")*** and this Amendment is incorporated into the Agreement by this reference.

1. Paragraph 4. Position and Duties is amended by deleting the following:

"The Executive shall serve as Executive Vice President/Business Development of STWA and he shall have such responsibilities, duties and authority as may, from time to time, be generally associated with such position and or as specifically detailed in the company's official "Position Description.""

and replacing it with the following:

"The Executive shall serve as Chief Operating Officer of the Company and he shall have such responsibilities, duties and authority as may, from time to time, be generally associated with such position and or as specifically detailed in the company's official "Position Description.""

2. Paragraph 5. Compensation and Related Matters is amended by deleting the following:

"**Base Compensation**. During the period of the Executive's employment hereunder, STWA shall pay to him annual base compensation as follows:

For the period from March 2, 2004 to December 31, 2004 at an annual rate not less than $153,600.00

and replacing it with the following:

"**Base Compensation**. During the period of the Executive's employment hereunder, the Company shall pay to him annual base compensation as follows:

For the period from March 2, 2004 to December 31, 2005 at an annual rate of $192,000 and from January 1, 2005 to December 31, 2007 at an annual rate not less than $192,000;"

All other terms and conditions of the Agreement not expressly amended hereby shall remain in full force and effect.

IN WITNESS WHEREOF, the parties have executed this Amendment as of March 2, 2004.

"EXECUTIVE"

/s/ BRUCE H. McKINNON

Name: Bruce H. McKinnon

SAVE THE WORLD AIR, INC.

By /s/ EDWARD L. MASRY

Name: Edward L. Masry

Title: Chief Executive Officer

NOTWITHSTANDING ANY OTHER PROVISIONS OF THIS AGREEMENT, NO SHARES OF THE COMPANY'S STOCK SHALL BE ISSUED PURSUANT HERETO UNLESS THE SAVE THE WORLD AIR, INC. 2004 STOCK OPTION PLAN SHALL HAVE FIRST BEEN APPROVED BY SHAREHOLDERS OF THE COMPANY HOLDING NOT LESS THAN A MAJORITY OF THE VOTING POWER OF THE COMPANY.

INCENTIVE STOCK OPTION AGREEMENT

THIS INCENTIVE STOCK OPTION AGREEMENT (this **"Agreement")** is made and entered into as of _____, 20___(the **"Grant Date"**) by and between **SAVE THE WORLD AIR, INC**., a Nevada corporation (the **"Company"),** whose address is 5125 Lankershim Boulevard, North Hollywood, California 91601, and ___an individual ("Executive"), with reference to the following facts (capitalized terms used and not otherwise defined in this Agreement shall have the meanings set forth in the "Glossary of Terms" attached as ***Appendix*** **"A"** hereto, which Appendix is hereby incorporated by this reference):

A. The Board of Directors of the Company (the "Board") has heretofore adopted the Save The World Air, Inc. 2004 Stock Option Plan (the "Plan", a copy of which is attached hereto and incorporated by this reference) under which the Company may grant Stock Options to certain personnel of the Company such as Executive.

B. Pursuant to the Plan, the Board has authorized granting to Executive, effective as of the date of this Agreement, an Incentive Stock Option under such terms and conditions as are hereinafter set forth.

C. Executive is an employee of the Company and is not a Ten Percent Shareholder of the Company.

NOW, THEREFORE, in consideration of the mutual covenants, agreements, representations and warranties herein set forth and for other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the parties hereto, intending to be legally bound hereby, agree as follows:

1. Grant of Stock Option. Pursuant to the action of the Board described above, the Company hereby grants to Executive an Incentive Stock Option to purchase, upon and subject to the terms and conditions of the Plan, all or any part of___(___) shares of Stock at an Exercise Price of Dollars ___($___) per share (which Exercise Price equals one hundred percent (100%) of the Fair Market Value of a share of Stock as of the Grant Date).

2. Vesting. The Stock Option granted under Section I hereof shall become exercisable with respect to the following percentages of the number of shares subject to such Stock Option upon the following dates and at any time thereafter unless and until such Stock Option shall terminate under Sections 4, 6 or 7 hereof, and subject to acceleration upon a Corporate Transaction only if and as provided under the Plan *(provided,* that no installment of the Stock Option hereunder shall be

exercisable except with respect to a whole share, and fractional shares shall be disregarded except that they may be accumulated):

Percentage	Vesting Date	Fair Market Value*
Percent (___%)	First (181) anniversary of Grant Date	
Percent (___%)	Second (2nd) anniversary of Grant Date	
Percent (___%)	Third (3rd) anniversary of Grant Date	
Percent (___%)	Fourth (4th) anniversary of Grant Date	

* Determined as of Grant Date; may not exceed One Hundred Thousand Dollars ($100,000) for vesting date(s) during any calendar year (taking into account any other ISOs granted to Executive under any other plan of the Company or a Parent or Subsidiary)

3. Manner of Exercise and Payment. Executive shall exercise the Stock Option granted under Section 1 hereof: if at all, by giving (a) written notice .of such exercise to the Committee specifying the number of shares of Stock with respect to which such Stock Option is being exercised, together with (b) payment of the full purchase price for such shares, by wire transfer to a Company account designated by the Committee or by unendorsed certified or cashier's check, equal to the number of shares to be purchased times the Exercise Price per share.

3.1 Effective Date of Exercise. The date upon which such written notice is given and payment of the full purchase price is received by the Committee shall be the exercise date for such Stock Option. From such exercise date, Executive shall be entitled to the issuance of a stock certificate evidencing Executive's ownership of the shares of Stock acquired pursuant to such exercise (but subject to Section 8 hereof). Executive shall not have any of the rights or privileges of a shareholder of the Company (including, without limitation, rights to distributions, voting rights, inspection rights, dissenter's rights, rights to bring a derivative action, or other rights of a shareholder under applicable corporate law) in respect of any shares of Stock issuable upon exercise of such Stock Option until and only to the extent such Stock Option is exercised and certificates representing such shares shall have been issued and delivered.

3.2 Minimum Number of Shares Purchased; Fractional Shares. No fewer than five (5) share (or, if less, the maximum number of shares that may be purchased pursuant to the Stock Option to the extent vested but unexercised) may be purchased pursuant to the exercise under anyone notice given under Section 3 hereof. No installment of such Stock Option shall be exercisable except with respect to whole shares.

4. Termination

4.1 In General. The Stock Option granted under Section 1 hereof, to the extent unexercised, shall terminate at the close of business of the day before the tenth (10th) anniversary of the Grant Date, but subject to Section 6 or Section 7 hereof (as applicable).

4.2 Corporate Transaction. The Committee shall notify Executive of the pendency of a Corporate Transaction a reasonable time before such Corporate Transaction is to occur, and Executive (or such other person entitled to exercise such Stock Option under Section 7 hereof) shall have the right, at any time prior to such Corporate Transaction, to exercise such Stock Option of such person to the extent that such Stock Option is otherwise exercisable under Section 2 hereof. Except and to the extent provided in the Plan and as set forth in the notice under this Section 4.2, the Stock Option granted under Sect. on 1 hereof to the extent unexercised shall terminate as of the Effective Date of the Corporate Transaction.

5. Non-Transferability. Neither Executive nor any successor or assignee thereof shall have any power or right to transfer, assign, anticipate, hypothecate or otherwise encumber any part or all of the Stock Option granted under Section 1 hereof, other than. by Will or by the laws of descent and distribution, and such Stock Option shall be exercisable during Executive's lifetime only by Executive; nor shall all or any part of such Stock Option be subject to seizure by any creditor of any such person, by a proceeding at law or in equity, and no such benefit shall be transferable by operation of law in the event of the bankruptcy or insolvency of Executive or any successor or assignee thereof. Any such attempted assignment or transfer shall be void and shall terminate this Agreement, and the Company shall thereupon have no further liability hereunder.

6. Cessation of Employment

6.1 In General. Subject to Sections 6.2 and 7 hereof, if Executive ceases to be employed by the Company or any of Subsidiary or Parent thereof~ Executive may, subject to the time limitations of Section 4 hereof, exercise the Stock Option granted under Section 1 hereof to the extent that Executive was entitled to exercise it under Section 2 hereof on the date of such cessation at any time (a) within one (1) year after such cessation if such cessation results from the Disability of Executive, or (b) otherwise within ninety (90) days after such cessation.

6.2 Termination for Cause. If Executive is terminated as an employee of the Company or any Subsidiary or Parent thereof for Cause, the Stock Option granted under Section 1 hereof shall terminate immediately.

7. Death of Executive. If Executive dies while employed by the Company or any Parent or Subsidiary thereof, or during the period described in *clause (a)* or *clause (b)* of Section 6.1 hereof as applicable, then, subject to the time limitations of Section 4 hereof, the Stock Option granted under Section 1 hereof shall expire within one (1) year after the date of death; and the executor or administrator of Executive's estate, or the person or persons to whom Executive's rights under such

Stock Option shall have passed by Will or by the applicable laws of descent and distribution, shall have the right to exercise such Stock Option to the extent ~at Executive was entitled to exercise such Stock Option under Section 2 hereof on the date of death.

8. Compliance With Securities and Tax Laws. No shares of Stock shall be issued pursuant to the exercise of the Stock Option hereunder except in compliance with all applicable federal and state securities and tax laws and regulations and in compliance with rules of stock exchanges on which the Stock may be listed. In furtherance of the foregoing and not in order to limit the generality of the foregoing in any way:

8.1 Representation. The Company, as a condition to the issuance of such shares, may require the person exercising such Stock Option to represent and warrant at the time of such exercise that any shares of Stock acquired upon exercise are being acquired only for investment and without any present intention to sell or distribute such shares if, in the opinion of counsel for the Company, such a representation is required under any applicable law, regulation or rule of any governmental agency.

8.2 Notice of Sale. The person acquiring such shares shall give the Company notice of any sale or other disposition of any such shares not less than ten (10) days after such sale or other disposition.

8.3 Withholding. Executive acknowledges and agrees that the Company, in order to fulfill its withholding obligations under any federal, state or local tax law (including, without limitation, upon the disposition by Executive of shares of Stock acquired pursuant to the exercise of the Stock Option hereunder within two (2) years after the Grant Date or within one (1) year after exercise of the Stock Option, or upon Executive's exercising an ISO more than three (3) months after Executive has ceased to be an employee of the Company or a Parent or Subsidiary) may (a) withhold such sums from other compensation due Executive, (b) require Executive to pay to the Company such amounts as a condition to the delivery of shares pursuant to such exercise, or (c) sell shares that would otherwise be delivered to Executive upon exercise of the Stock Option in order to raise cash in the necessary amount.

9. Miscellaneous

9.1 Complete Agreement. This Agreement, and any appendices, schedules, exhibits or documents referred to herein or executed contemporaneously herewith, constitute the entire agreement among the parties hereto with respect to the subject matter hereof, and supersede all prior written, and all prior and contemporaneous oral, agreements, representations, warranties, statements, promises and understandings with respect to the subject matter hereof; whether express or implied. All schedules, appendices and exhibits attached hereto are hereby incorporated in and made a part of this Agreement as if fully set forth herein. .

9.2 Payments Subject to Creditors. Payments to Executive hereunder shall be made from assets which shall continue, for all purposes, to be a part of the general assets of the Company; and no person, other than the Company, shall have, by virtue of the provisions of the Plan or the grant of the Stock Option hereunder, any interest in such assets. To the extent that any person acquires a right to receive payments from the Company under the provisions hereof; such right shall be no greater than the right of any unsecured general creditor of the Company.

9.3 No Trust or Contract of Employment. It is expressly understood by the parties hereto that this Agreement and the Plan relate exclusively to additional compensation for Executive's services, and are not intended to be an employment contract. Nothing contained in this Agreement or the Plan, and no action taken pursuant to their provisions by either party hereto shall create, or be construed to create, (a) a trust of any kind, or a fiduciary relationship between the Company and Executive; or (b) a contract of employment for any term of years, or a right of Executive to continue in the employ of the Company in any capacity.

9.4 Binding Effect. This Agreement shall be binding upon and inure to the benefit of the Company and its successors and assigns, and Executive and Executive's successors, assigns, heirs, executors, administrators and beneficiaries. Nothing in this Section 9.4 shall be deemed to modify or waive in any manner whatsoever such prohibitions on transfer or assignment of Executive's rights hereunder as are contained elsewhere in this Agreement.

9.5 Amendment. Except as provided herein, this Agreement may not be amended, altered, modified or terminated except by a written instrument signed by the parties hereto, or their respective successors or assigns.

9.6 Notice. Whenever this Agreement or the Plan requires that notice be given by or to the Company or Executive, such notice shall be given to the Company at the address first set forth above (or to such other address as the Company may communicate to Executive under this Section 9.6) and to Executive at such address as is set forth on the books and records of the Company for the mailing of any Form W-2 with respect to Executive as follows: (a) by personal delivery, in which case notice shall be deemed to have been given on the date of delivery; (b) by certified United States mail, in which case notice shall be deemed to have been given two (2) days after deposit of such notice with the United States Postal Service; or (c) by DHL, Federal Express,

United Parcel Service, or similar internationally-recognized overnight delivery service, in which case notice shall be deemed to have been given one (1) day after deposit of such notice or instrument with such service

9.7 Governing Law; Jurisdiction. This Agreement shall be governed by the laws of the State of California, regardless of the choice of law provisions of California or any other jurisdiction and regardless of where the parties hereto may now or hereafter be formed, do business, or reside. Any and all disputes between the parties which may arise pursuant to this Agreement will be heard and determined before an appropriate federal or state court located in Los Angeles, California. The parties hereto acknowledge that such court has the jurisdiction to interpret and enforce the provisions of this Agreement and the parties waive any and all objections that they may have as to personal jurisdiction or venue in any of the above courts.

9.8 Headings. The headings in this Agreement are inserted only as a matter of convenience, and in no way define, limit, or interpret the scope of this Agreement or of any particular section hereof.

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

9.10 Severability. The validity, legality or enforceability of the remainder of this Agreement shall not be affected even if one or more of the provisions of this Agreement shall be held to be invalid, illegal or unenforceable in any respect.

9.11 Counterparts. This Agreement may be executed simultaneously in two or more counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument.

IN WITNESS WHEREOF, the parties hereto have executed this Agreement as of the date first set forth above.

"Company"	**"Executive"**
SAVE THE WORLD AIR, INC., a Nevada corporation	
By _____	_____
Name: _____	
Title: _____	
By _____	
Name: _____	
Title: _____	

SPOUSAL CONSENT

I certify that:

1. I am the spouse of _____who signed the foregoing Incentive Stock Option Agreement dated as of _____, 20___(the **"Agreement")** by and between-as the "Executive" thereunder and Save The World Air, Inc. as the **"Company"** thereunder.

2. I have read and approve the provisions of the Agreement, including, but not limited to, those relating to the exercise, transfer and disposition of the Stock Option described therein.

3. I agree to be bound by and accept those provisions of that Agreement in lieu of all other interests I may have in the Stock Options thereby granted, whether that interest may be community property or otherwise.

4. Executive shall have full power of management of Executive's interests in the Stock Options, including any portion of those interests that may be community property, and Executive has the full right, without my further approval, to exercise Executive's rights with respect to such Stock Options, to execute any amendments to the Agreement, and to exercise and otherwise deal in any manner with such Stock Options, including any portion of such interests that may be community property.

Date: _____

_____

Name of Spouse: _____

APPENDIX A
GLOSSARY OF TERMS

1. **"Agreement"** means the Incentive Stock Option Agreement dated _____ ___ 20___by and between **Save The World Air, Inc.,** an Nevada corporation, as the **"Company"** thereunder, and _____, an individual, as the "Executive" thereunder.

2. **"Board"** is as defined in *Recital "A"* of the Agreement.

3. **"Cause"** is as defined in the Plan**.**

4. **"Committee"** is as defined in the Plan.

5. **"Company"** means Save The World Air, Inc., a Nevada corporation.

6. **"Corporate Transaction"** is as defined in the Plan.

7. **"Disability"** is as defined in the Plan.

8. **"Effective Date" of a Corporate Transaction is as defined in the Plan.**

9. **"Executive"** means , an individual.

10. **"Exercise Price"** is as defined in Section 1 of the Agreement**.**

11. **"Grant Date"** is as set forth in the first paragraph of the Agreement.

12. **"Incentive Stock Option**" is as defined in the Plan.

13. **"Parent"** is as defined in the Plan.

14. **"Plan"** is as defined in ***Recital "A"*** of the Agreement.

15. **"Stock"** is as defined in the Plan.

16. **"Stock Option"** is as defined in the Plan.

17. **"Subsidiary"** is as defined in the Plan.

18. **"Ten Percent Shareholder"** is as defined in the Plan.

19. **"Will"** is as defined in the Plan.

NOTWITHSTANDING ANY OTHER PROVISIONS OF THIS AGREEMENT, NO SHARES OF THE COMPANY'S STOCK SHALL BE ISSUED PURSUANT HERETO UNLESS THE SAVE THE WORLD AIR, INC. 2004 STOCK OPTION PLAN SHALL HAVE FIRST BEEN APPROVED BY SHAREHOLDERS OF THE COMPANY HOLDING NOT LESS THAN A MAJORITY OF THE VOTING POWER OF THE COMPANY.

NON-QUALIFIED STOCK OPTION AGREEMENT

This NON-QUALIFIED STOCK OPTION AGREEMENT (this "**Agreement")** is made and entered into as of _____,20 **(the "Grant Date")** by and between **SAVE THE WORLD AIR, INC.**, a Nevada corporation (the **"Company"),** whose address is 5125 Lankershim Boulevard, North Hollywood, California 91601, and _____, an individual **("Executive"),** with reference to the following facts (capitalized terms used and not otherwise defined in this Agreement shall have the meanings set forth in the "Glossary of Terms" attached as ***Appendix" A"*** hereto, which Appendix is hereby incorporated by this reference): .

A. The Board of Directors of the Company **(the "Board")** has heretofore adopted the Save The World Air, Inc. 2004 Stock Option Plan (the **"Plan",** a copy of which is attached hereto and incorporated by this reference) under which the Company may grant Stock Options to certain personnel of the Company such as Executive.

B. Pursuant to the Plan, the Board has authorized granting to Executive, effective as of the date of this Agreement, a Non-Qualified Stock Option under such terms and conditions as are hereinafter set forth.

NOW, THEREFORE, in consideration of the mutual covenants, agreements, representations and warranties herein set forth and for other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the parties hereto, intending to be legally bound hereby, agree as follows:

1. Grant of Stock Option. Pursuant to the action of the Board described above, the Company hereby grants to Executive a Non-Qualified Stock Option to purchase, upon and subject to the terms and conditions of the Plan, all or any part of _____ (_____) shares of Stock at an Exercise Price of_____Dollars ($ _____) per share.

2. Vesting. The Stock Option granted under Section 1 hereof shall become exercisable with respect to the following percentages of the number of shares subject to such Stock Option upon the following dates and at any time thereafter unless and until such Stock Option shall terminate under Sections 4, 6 or 7 hereof, and subject to acceleration upon a Corporate Transaction only if and as provided under the Plan *(provided, however,* that no installment of the Stock Option shall be exercisable except with respect to a whole share, and fractional shares shall be disregarded except that they may be accumulated):

_____percent (_____%)	First (1st) anniversary of Grant Date
_____percent (_____%)	Second (2nd) anniversary of Grant Date
_____percent (_____%)	Third (3rd) anniversary of Grant Date
_____percent (_____%)	Fourth (4th) anniversary of Grant Date

3. Manner of Exercise and Payment. Executive shall exercise the Stock Option granted under Section 1 hereof, if ata1l, by giving (a) written notice of such exercise to the Committee specifying the number of shares of Stock with respect to which such Stock Option is being exercised, together with (b) payment of the full purchase price for such shares, by wire transfer to a Company account designated by the Committee or by unendorsed certified or cashier's check, equal to the number of shares to be purchased times the Exercise Price per share.

3.1 Effective Date of Exercise. The date upon which such written notice is given and payment of the full purchase price is received by the Committee shall be the exercise date for such Stock Option. From such exercise date, Executive shall be entitled to the issuance of a stock certificate evidencing Executive's ownership of the shares of Stock acquired pursuant to such exercise (but subject to Section 8 hereof). Executive shall not have any of the rights or privi1~ges of a shareholder of the Company (including, without limitation, rights to distributions, voting rights, inspection rights, dissenter's rights, rights to bring a derivative action, or other rights of a shareholder under applicable corporate law) in respect of any shares of Stock issuable upon exercise of such Stock Option until and only to the extent such Stock Option is exercised and certificates representing such shares shall have been issued and delivered.

3.2 Minimum Number of Shares Purchased. Fractional Shares. No fewer than five (5) share (or, if less, the maximum number of shares that may be purchased pursuant to the Stock Option to the extent vested but unexercised) may be purchased pursuant to the exercise under anyone notice given under Section 3 hereof. No installment of such Stock Option shall be exercisable except with respect to whole shares.

4. Termination

4.1 In General. The Stock Option granted under Section 1 hereof, to the extent unexercised, shall terminate at the close of business of the day before the tenth (10th) anniversary of the Grant Date, but subject to Section 6 or Section 7 hereof (as applicable).

4.2 Corporate Transaction. The Committee shall notify Executive of the pendency of a Corporate Transaction a reasonable time before such Corporate Transaction is to occur, and Executive (or such other person entitled to exercise such Stock Option under Section 7 hereof) shall have the right, at any time prior to such Corporate Transaction, to exercise such Stock Option of such person to the extent that such Stock Option is otherwise exercisable under Section 2 hereof. Except and to the extent provided in the Plan and as set forth in the notice under this Section 4.2, the Stock Option granted under Section 1 hereof to the extent unexercised shall terminate as of the Effective Date of the Corporate Transaction.

5. Transferability

5.1 In General. Except as provided in Section 5.2 hereof, neither Executive nor any successor or assignee thereof shall have any power or right to transfer, assign, anticipate, hypothecate or otherwise encumber any part or all of the Stock Option granted under Section 1 hereof, other than by Will or by the laws of descent and distribution, and such Stock Option shall be exercisable during Executive's lifetime only by Executive; nor shall all or any part of such Stock Option be subject to seizure by any creditor of any such person, by a proceeding at law or in equity, and no such benefit shall be transferable by operation of law in the event of the bankruptcy or insolvency of Executive or any successor or assignee thereof Any such attempted assignment or transfer shall be void and shall terminate this Agreement, and the Company shall thereupon have no further liability hereunder.

5.2 Certain Family Transfers. Executive may transfer the Stock Option granted hereunder only under the following terms and conditions:

5.2.1 Such transfer may only be to (a) a trust of which Executive is a grantor, *provided* that the named beneficiaries of such trust shall include only Executive and/or members of Executive' s Family (and such a trust shall be unrestricted as to the identity of the trustee or trustees); (b) a corporation, partnership or limited liability company; *provided,* that the owners of equity interests in the foregoing shall consist solely of one or a combination of Executive, member(s) of Executive' s Family, or one or more trusts described in the foregoing *clause (a);* or (c) as an outright gift one or more members of Executive' s Family.

5.2.2 Executive and the transferee shall execute and acknowledge such assignments or other instruments as the Committee may reasonably request, in form and substance reasonably satisfactory to the Committee, to confirm or memorialize such transfer.

5.2.3 Executive or the transferee shall provide the Committee with the name, address, and taxpayer identification number of the transferee and such other information as the Committee shall request to prepare tax returns and other filings reflecting such transfer as are required by applicable tax laws.

5.2.4 Executive or the transferee shall, at their expense, furnish the Committee with an opinion of counsel in form and substance satisfactory to the Committee to the effect that such transfer, and the issuance of shares of Stock to the transferee upon exercise of the Stock Option transferred, will comply with federal or state securities laws (including, without limitation, any exemption there under pursuant to which the Company has caused such Stock Option or share to be issued).

5.2.5 The transferee shall have executed and acknowledged this Agreement and shall have assumed all obligations and liabilities of Executive hereunder.

6. Cessation of Employment

6.1 In General. Subject to Sections 6.2 and 7 hereof, if Executive ceases to be employed by the Company or any of Subsidiary or Parent thereof, Executive may, subject to the time limitations of Section 4 hereof, exercise the Stock Option granted under Section 1 hereof to the extent that Executive was entitled to exercise it under Section 2 hereof on the date of such cessation at any time (a) within one (I) year after such cessation if such cessation results from the Disability of Executive, or (b) otherwise within ninety (90) days after such cessation.

6.2 Termination for Cause. If Executive is terminated as an employee of the Company or any Subsidiary or Parent thereof for Cause, the Stock Option granted under Section 1 hereof shall terminate immediately. .

7. Death of Executive. If Executive dies while employed by the Company or any Parent or Subsidiary thereof, or during the period described in *clause (a)* or *clause (b)* of Section 6.1 hereof as applicable, then, subject to the time limitations of Section 4 hereof, the Stock Option granted under Section 1 hereof shall expire within one (1) year after the date of death; and the executor or administrator of Executive ' s estate, or the person or persons to whom Executive's rights under such Stock Option shall have passed by Will or by the applicable laws of descent and distribution, shall have the right to exercise such Stock Option to the extent that Executive was entitled to exercise such Stock Option under Section 2 hereof on the date of death.

8. Compliance With Securities and Tax Laws. No shares of Stock shall be issued pursuant to the exercise of the Stock Option hereunder except in compliance with all applicable federal and state securities and tax laws and regulations and in compliance with rules of stock exchanges on which the Stock may be listed. In furtherance of the foregoing and not in order to limit the generality of the foregoing in any way:

8.1 Representation. The Company, as a condition to the issuance of such shares, may require the person exercising such Stock Option to represent and warrant at the time of such exercise that any shares of Stock acquired upon exercise are being acquired only fur investment and without any present intention to sell or distribute such shares if, in the opinion of counsel for the Company, such a representation is required under any applicable law, regulation or rule of any governmental agency.

8.2 Notice of Sale. The person acquiring such shares shall give the Company notice of any sale or other disposition of any such shares not less than ten (10) days after such sale or other disposition.

8.3 Withholding. Executive acknowledges and agrees that the Company, in order to fulfill its withholding obligations under any federal, state or local tax law upon exercise of the Stock Option, may (a) withhold such sums from other compensation due Executive, (b) require Executive to pay to the Company such amounts as a condition to the delivery of shares pursuant to

such exercise, or (c) sell shares that would otherwise be delivered to Executive upon exercise of the Stock Option in order to raise cash in the necessary amount.

9. Miscellaneous

9.1 Complete Agreement. This Agreement, and any appendices, schedules, exhibits or documents referred to herein or executed contemporaneously herewith, constitute the entire agreement among the parties hereto with respect to the subject matter hereof, and supersede all prior written, and all prior and contemporaneous oral, agreements, representations, warranties, statements, promises and understandings with respect to the subject matter hereof, whether express or implied. All schedules, appendices and exhibits attached hereto are hereby incorporated in and made a part of this Agreement as if fully set forth herein.

9.2 Payments Subject to Creditors. Payments to Executive hereunder shall be made from assets which shall continue, for all purposes, to, be a part of the general assets of the Company; and no person, other than the Company, shall have, by virtue of the provisions of the Plan or the grant of the Stock Option hereunder, any interest in such assets. To the extent that any person acquires a right to receive payments from the Company under the provisions hereof, such right shall be no greater than the right of any unsecured general creditor of the Company.

9.3 No Trust or Contract of Employment. It is expressly understood by the parties hereto that this Agreement and the Plan relate exclusively to additional compensation for Executive's services, and are not intended to be an employment contract. Nothing contained in this Agreement or the Plan, and no action taken pursuant to their provisions by either party hereto shall create, or be construed to create, (a) a trust of any kind, or a fiduciary relationship between the Company and Executive; or (b) a contract of employment for any term of years, or a right of Executive to continue in the employ of the Company in any capacity.

9.4 Binding Effect. This Agreement shall be binding upon and inure to the benefit of the Company and its succeSSOI5 and assigns, and Executive and Executive's successors, assigns, heirs, executors, administrators and beneficiaries. Nothing in this Section 9.4 shall be deemed to modify or waive in any manner whatsoever such prohibitions on transfer or assignment of Executive's rights hereunder as are contained elsewhere in this Agreement.

9.5 Amendment. Except as provided herein, this Agreement may not be amended, altered, modified or terminated except by a written instrument signed by the parties hereto, or their respective successors or assigns.

9.6 Notice. Whenever this Agreement or the Plan requires that notice be given by or to the Company or Executive, such notice shall be given to the Company at the address first set forth above (or to such other address as the Company may communicate to Executive under this Section 9.6) and to Executive at such address as is set forth on the books and records of the Company for the mailing of any Form W-2 with respect to Executive as follows: (a) by personal

delivery, in which case notice shall be deemed to have been given on the date of delivery; (b) by certified United States mail, in which case notice shall be deemed to have been given two (2) days after deposit of such notice with the United States Postal Service; or (c) by DHL, Federal Express, United Parcel Service, or similar internationally-recognized overnight delivery service, in which case notice shall be deemed to have been given one (I) day after deposit of such notice or instrument with such service

9.7 Governing Law. Jurisdiction. This Agreement shall be governed by the laws of the State of California, regardless of the choice of law provisions of California or any other jurisdiction and regardless of where the parties hereto may now or hereafter be formed, do business, or reside. Any and all disputes between the parties which may arise pursuant to this Agreement will be heard and determined before an appropriate federal or state court located in Los Angeles, California. The parties hereto ackn0'Yledge that such court has the jurisdiction to interpret and enforce the provisions of this Agreement and the parties waive any and all objections that they may have as to personal jurisdiction or venue in any of the above courts.

9.8 Headings. The headings in this Agreement are inserted only as a matter of convenience, and in no way define, limit, or interpret the scope of this Agreement or of any particular section hereof.

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

9.10 Severability. The validity, legality or enforceability of the remainder of this Agreement shall not be affected even if one or more of the provisions of this Agreement shall be held to be invalid, illegal or unenforceable in any respect.

9.11 Counterparts. This Agreement may be executed simultaneously in two or more counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument.

IN WITNESS WHEREOF, the parties hereto have executed this Agreement as of the date first set forth above.

"Company"

SAVE THE WORLD AIR, INC.,
a Nevada corporation

By _____

Name: _____
Title: _____

By _____

Name: _____
Title: _____

"Executive"

_____

SPOUSAL CONSENT

I certify that:

1. I am the spouse of who signed the foregoing Non-Qualified Stock Option Agreement dated as of .20- (the "Agreement") by and between — as the "Executive" thereunder and Save The World Air, Inc. as the "Company" thereunder.

2. I have read and approve the provisions of the Agreement, including, but not limited to, those relating to the exercise, transfer and disposition of the Stock Option described therein.

3. I agree to be bound by and accept those provisions of that Agreement in lieu of all other interests I may have in the Stock Options thereby granted, whether that interest may be community property or otherwise.

4. Executive shall have full power of management of Executive . s interests in the Stock Options, including any portion of those interests that may be community property, and Executive has the full right, without my further approval, to exercise Executive's rights with respect to such Stock Options, to execute any amendments to the Agreement, and to exercise and otherwise deal in any manner with such Stock Options, including any portion of such interests that may be community property.

Date: _____

_____

Name of spouse: _____

APPENDIX A
GLOSSARY OF TERMS

1. "Agreement" means the Non-Qualified Stock Option Agreement dated _____ 20- by and between Save The Wodd Air, Inc., a Nevada corporation, as the "Company" thereunder, and _____, an individual, as the "Executive" thereunder.

2. **"Board"** is as defined in ***Recital "A"*** of the Agreement.

3. **"Cause"** is as defined in the Plan.

4. **"Committee"** is as defined in the Plan.

5. **"Company"** means Save The World Air, Inc., a Nevada corporation.

6. **"Corporate Transaction"** is as defined in the Plan.

7. **"Disability"** is as defined in the Plan.

8. **"Effective Date"** of a Corporate Transaction is as defined in the Plan.

9. **"Executive"** means _____, an individual.

10. **"Exercise Price"** is as defined in Section 1 of the Agreement.

11. **"Family"** is as defined in the Plan.

12. **"Grant Date"** is as set forth in the first paragraph of the Agreement.

13. "Non-Qualified Stock Option" **is as defined in the Plan.**

14. "Parent" **is as defined in the Plan.**

15. **"Plan"** is as defined in ***Recital" A"*** of the Agreement.

16. **"Stock"** is as defined in the Plan.

17. **"Stock Option"** is as defined in the Plan.

18. **"Subsidiary"** is as defined in the Plan.

19. **"Will"** is as defined in the Plan.

Exhibit 10.20

CONSULTING AGREEMENT

This Consulting Agreement *("Agreement"),* is made effective and entered into as of April 1,2003 by and between **Save the World Air, Inc.,** a Nevada corporation (the *"Company"),* and **Adrian Menzell** *("Consultant').*

RECITALS

A. The Company has developed proprietary technologies for reducing harmful emissions from fuel combustion engines and improving fuel efficiency, among other benefits. The development of these proprietary technologies and enhancements to them, as well as the anticipated manufacturing, distribution and sale of products derived from them, are sometimes referred to below as the Company's "Business." The Company's current products are known as the *ZEFS* device, as described in the Company's patent applications which are pending in various countries (the *"ZEFS Product').* The Company is currently engaged in research and development for next-generation products and enhancements for use with diesel engines *("Diesel Product'),* multiport or multipoint electronic fuel injection *("EFI Product"),* each of which may consist of a device that is attached to an engine or to a component that is attached to the engine or a technology that is incorporated into an engine or a component attached to an engine. The ZEFS Products, Diesel Products and EFI Products are sometimes referred to collectively in this Agreement as the *"Products."*

B. The parties hereto anticipate that the Products will be based on the ZEFS Product or new technologies developed pursuant to this Agreement and certain related consulting agreements being entered into between the Company and certain others who are part of the Company's R&D team.

C. The Company desires to engage the services of Consultant to assist the Company in research and development and to provide other services and assistance to the Company in matters relating to the Company's business, as they may arise from time to time, upon the terms and conditions contained herein.

D. Consultant desires to provide services to the Company upon the terms and conditions contained herein.

NOW, THEREFORE, the Company and Consultant hereby mutually agree as follows:

Section I. *Scope of Services to Be Provided.* Consultant shall provide to the Company, on an as needed basis, assistance, advice and support relating to the Company's business, including project management and supporting the project lead and development team, as the Company may request from time to time. Without limiting the generality of the foregoing, Consultant shall:

(a) *R&D.* Consultant shall undertake and perform the tasks outlined on *Annex A* hereto and such additional or other responsibilities as may be reasonably assigned to Consultant from time to time by the Company's Chief Executive Officer, Chief Operating Officer, or Director of Research and Development.

(b) *Reports*. Consultant shall assist in the preparation of regular monthly reports to the Company on the efforts expended and undertaken on each project assigned to or undertaken by Consultant. Consultant shall maintain and make available to the Company upon request complete records for purchases, products, prices, analyses, testing and test results, contacts, drawings and such other matters as the Company may request from time to time.

(c) *Procedures for Maintaining Proprietary Information.* Consultant shall keep and maintain such procedures as may be customary and appropriate and as may be specified by the Company to protect, maintain and keep confidential any proprietary or confidential information of the Company, including without limitation all know how and information that may constitute a trade secret or otherwise confer strategic or competitive advantages to the Company, by use of passwords, locked cabinets, identification of such information and materials as *"Confidential'* and other limits on access as may be customary or appropriate or set forth in Company policies.

(d) *Travel.* The Company may require Consultant to travel at Company expense to its U.S. offices and facilities at least twice per year and internationally from time to time as may be reasonably required to fulfill Consultant's assigned duties and responsibilities, provided that each such trip shall not exceed two weeks without Consultant's consent.

Section 2. *Non-Disclosure Obligations*. Concurrently with the parties' execution of this Agreement, Consultant shall execute and deliver to the Company the Confidentiality Agreement attached hereto as *Annex B* (the *"Confidentiality Agreement"),* the provisions of which are incorporated herein by this reference.

Section 3. *Consultant's Representations and Covenants*. Consultant represents, warrants and covenants to the Company that:

(a) Consultant shall devote such time, energy, interest, ability, and skill as may be fairly and reasonably necessary to provide to the Company the services described in Section 1 above;

(b) The Company may require Consultant to travel to its U.S. offices and facilities at the Company's expense at least twice per year and internationally from time to time as may be reasonably required to fulfill Consultant's assigned duties and responsibilities, provided that each such trip shall not exceed two weeks without Consultant's consent.

(c) Consultant shall not, during the term of this Agreement, directly or indirectly, promote, participate, or engage in any business activity that would materially interfere with the performance of Consultant's duties under this Agreement or which is competitive with the Company's or any Company Affiliate's business, including, without limitation, any involvement as a shareholder, director, officer, employee, partner, joint venturer, consultant, advisor, individual proprietor, lender, or agent of any business, without the prior written consent of the Company. The term *"Affiliate"* shall mean, with respect to any person or entity, any other person or entity which, directly or indirectly through one or more intermediaries, is in control of, is controlled by or is under common control with, such person or entity. *"Control of," "controlled by"* and *"under common control with"* mean the possession, directly or indirectly, of the power to direct or cause the direction of the management policies of a person or entity, by

contract or credit arrangement, as trustee or executor, or otherwise. The term "Affiliate" includes, but is not limited to, each and every subsidiary of the Company.

(d) During the term of this Agreement and for a period of one year after the termination of this Agreement, Consultant shall not solicit, attempt to solicit, or cause to be solicited any customers of the Company for purposes of promoting or selling products or services which are competitive with those of the Company, nor shall Consultant solicit, attempt to solicit, or cause to be solicited any employees, agents, or other independent contractors of the Company to cease their relationship with the Company.

(e) Consultant does not have any agreements with or commitments to any other person or entity which conflict with any of Consultant's obligations to the Company arising under this Agreement.

(f) Consultant shall maintain any and all licenses and permits as may be required for Consultant to provide the consulting services contemplated hereby. In the event Consultant shall utilize the services or shall acquire any products in order to render the consulting services contemplated hereby, Consultant shall be solely responsible for the payment for such services and products, except to the extent reimbursable by the Company in accordance with Section 7 below. Consultant shall be solely responsible for any and all income and other taxes that may be due to any state, local or federal governmental authorities in respect of the compensation to Consultant pursuant to this Agreement. Consultant acknowledges that the Company shall not make any withholdings from payments to Consultant hereunder.

(g) Except upon the express written consent of the Company, Consultant shall have no authority, and shall not represent, suggest or imply that Consultant has the authority, express or implied: (1) to bind the Company to any agreements or arrangements, written or oral; (2) to make an offer or accept an offer on behalf of the Company; or (3) to make representations, warranties, guaranties, commitments or covenants on behalf of Company.

Section 4. *Ownership*

(a) The compensation payments set forth herein shall be full and complete compensation both for all obligations assumed by Consultant hereunder and for any and all Creations (as defined in the Confidentiality Agreement) assigned under this Agreement.

(b) The Company shall retain the exclusive right to use or distribute, at its sole discretion, any and all Creations. Consultant shall make no claim on any consideration received by the Company for the sale, lease or use of the Creations.

(c) The Company shall include Consultant's profile on its Company website with other members of the R&D team and may include such information as it deems appropriate in the Company's Product and marketing materials.

Section 5. *Term.* This Agreement shall terminate on March 31,2005, unless earlier terminated in accordance with this Section 5. In addition, this Agreement shall terminate automatically upon the death of Consultant, or the mental or physical incapacity of Consultant for a period of 60 consecutive days. Either party hereto may terminate this Agreement upon a

material breach of this Agreement by the other party; and the Company may terminate this Agreement upon a material breach of the Confidentiality Agreement by Consultant.

Section 6. *Compensation.* Consultant's compensation for his consulting services hereunder shall be as set forth on *Annex* C hereto.

Section 7. *Reimbursement of Business Expenses.* To the extent Consultant is authorized by the Company to order equipment and supplies or make other expenditures to carry out Consultant's duties hereunder, the Company shall reimburse Consultant for the actual costs thereof, subject to receipt of such documentation and other information as the Company may reasonably request or require in accordance with its policies, and subject further to any limitations on the amount that Consultant may be authorized to incur in ordering such equipment and supplies or making other expenditures on the Company's behalf. Reimbursement for each qualifying expense shall be made on the last day of the calendar month following the month in which a receipt for payment by Consultant of such expense item and any and all other documentation which the Company may reasonably require regarding the expense item was submitted to. Company.

Section 8. *Independent Contractor.* Consultant shall be retained by the Company only for the purposes and to the extent set forth in this Agreement, and his relation to the Company, during the term of this Agreement, shall be that of an independent contractor. Consultant shall not be considered as having an employee status.

Section 9. *Injunctive Relief* Remedies at law shall be deemed to be inadequate for any breach of any of the covenants of this Agreement, and the Company shall be entitled to injunctive relief in addition to any other remedies it may have in the event of such breach.

Section 10. *Indemnification.* If Consultant becomes a defendant in, or is threatened to be made a party to, a Claim by reason of (or arising in part out of) an Identifiable Event, the Company shall indemnify, defend and hold harmless Consultant against any and all Expenses, judgments, fines, penalties and amounts paid in settlement (including all interest, assessments and other charges paid or payable in connection with or in respect of such Expenses, judgments, fines, penalties or amounts paid in settlement) of any Claim, subject to any limitations set forth herein below. For purposes of this section, the following terms shall have the meanings set forth below:

(a) "Claim" shall mean any threatened, pending or completed action, suit or proceeding against Consultant, whether civil, criminal, administrative, investigative or other.

(b) "Expenses" shall mean attorneys' fees and all other costs, expenses and obligations paid or incurred by Consultant arising from defense of a Claim.

(c) "Identifiable Event" shall mean any act or omission of Consultant in carrying out Consultant's duties under this Agreement that is (i) other than a criminal act and (ii) within the scope of Consultant's services to the Company under this Agreement, including without limitation Claims alleging facts based on theories of negligence; violation of securities laws in connection with the offer and sale of the Company's securities; that the Consultant is or was an agent, employee or fiduciary of the Company; or that Consultant is or was serving at the request

of the Company as a director, officer, employee, trustee, agent or fiduciary of another corporation, partnership, joint venture, employee benefit plan, trust or other enterprise, or relating to anything done or not done by the Consultant in any such capacity.

Section 11. *Amendments; Consents.* No amendment, modification, supplement, termination, or waiver of any provision in this Agreement, and no consent to any departure there from, shall be effective unless in writing and signed by both Consultant and the Company and then only in the specific instance and for the specific purpose given.

Section 12. *Notices.* Any notices required or permitted to be given in writing will be deemed received when personally delivered or, if earlier, ten (10) days after mailing by registered or certified United States mail, postage prepaid, and return receipt requested. Notice to the Company is valid if sent to the Company's principal place of business and notice to Consultant is valid if sent to Consultant at Consultant's address as it appears in the Company's records. The Company or Consultant may change their address only by notice given to the other in the manner set forth herein.

Section 13. *Counterparts; Facsimile Signatures.* This Agreement may be executed in two or more counterparts, and the counterparts, taken together, shall constitute one original. Executed copies of this Agreement and any amendments or modifications thereto may be delivered by facsimile transmission in lieu of an original.

Section 14. *Binding Effect; Assignment.* This Agreement shall be binding upon and inure to the benefit of Consultant and the Company and their respective permitted successors and assigns. This Agreement, including the rights and obligations hereunder, shall not be assigned, delegated or transferred by Consultant without the prior written consent of the Company.

Section 15. *Integration; Construction.* This Agreement (together with the appendices thereof) shall comprise the complete and integrated agreement of the Company and Consultant and shall supersede all prior agreements, written or oral, on the subject matter hereof. Neither party hereto shall have a provision construed against it by reason of such party having drafted the same.

Section 16. *Survival.* The rights and obligations provided in Section 3(c), Section 4, Section 9, Section 10, Section 14, Section 20 and paragraph (c) of Annex C hereto shall survive termination of this Agreement.

Section 17. *Governing Law.* This Agreement shall be governed by, and construed and enforced in accordance with, the laws of the State of California.

Section 18. *Severability of Provisions.* Any provision in this Agreement that is held to be inoperative, unenforceable, or invalid in any jurisdiction shall be, as to that jurisdiction only, inoperative, unenforceable, or invalid without affecting the remaining provisions in that jurisdiction or the operation, enforceability, or validity of those provisions in any other jurisdiction, and to this end the provisions of this Agreement shall be severable.

Section 19. *Headings.* Headings of this Agreement are included for convenience only and shall not be considered a part of this Agreement for any other purpose.

Section 20. *Attorneys' Fees*. In the event of any litigation or other dispute arising as a result of or by reason of this Agreement, the prevailing party in any such litigation or other dispute shall be entitled to, in addition to any other damages assessed, its reasonable attorneys' fees, and all other costs and expenses incurred in connection with settling or resolving such dispute. The attorneys' fees which the prevailing party is entitled to recover shall include fees for prosecuting or defending any appeal and shall be awarded for any supplemental proceedings until the final judgment is satisfied in full. In addition to the foregoing award of attorneys' fees to the prevailing party, the prevailing party in any lawsuit on this Agreement shall be entitled to its reasonable attorneys' fees incurred in any post judgment proceedings to collect or enforce the judgment. This attorneys' fees provision is separate and several and shall survive the merger of this Agreement into any judgment.

Section 21. *Waiver; Rights and Remedies*. Neither Consultant's nor the Company's failure to exercise any right under this Agreement shall constitute a waiver of any other term or condition of this Agreement with respect to any other preceding, concurrent, or subsequent breach, nor shall it constitute a waiver by the Company or Consultant of its rights at any time thereafter to require exact and strict compliance with any of the terms of this Agreement. The rights and remedies set forth in this Agreement shall be in addition to any other rights or remedies which may be granted by law.

IN WITNESS WHEREOF, the parties hereto have executed or caused their respective duly authorized officer to execute this Agreement as of the date first set forth above.

CONSULTANT

By /s/ A. MENZELL

Name: Adrian Menzell

SAVE THE WORLD AIR, INC.

By /s/ EUGENE E. EICHLER

Name: Eugene E. Eichler

Title: Chief Operating Officer

ANNEX A
CONSUL TANT'S DUTIES AND RESPONSIBILITIES

- The design, development of new configurations and testing of all units.
- All mechanical repairs that need to be performed to have the vehicles running correctly and diagnose and rectify problems before and during testing.
- Assisting with the ordering, organizing and purchase of products and plant and equipment, etc.
- Decision making in relation to such issues as leasing of workshops and insurance needs, etc.
- Assist in preparatory reports to the Company in relation to the ZEFS devices.
- Development of new ways of dealing with the issue of multi-port fuel injection along with Pat Baker.
- Control the ordering, organizing and purchase of products and plant and equipment relating to the development and supply of the devices.
- Show and explain the basic principles of the operation and functions of an engine e.g. multi-point fuel injection and engine management systems and all associated items.
- Look at all new possible sites and to determine the conditions of vehicles and fitting stations, talk to transport authorities and to talk and set up standards with other engineering and technical personnel.
- Look at all working relations and access the progress and development of all new and upcoming devices including the assessment of all the multi-fuel injection systems.

ANNEX "B"

CONFIDENTIALITY AGREEMENT

This Confidentiality Agreement ("Agreement") dated as of April 1, 2003, is entered into by and between the individual whose name appears on the signature page of the related Consulting Agreement ("Consultant"), on the one hand, and Save the World Air, Inc., a Nevada corporation (the "Company"), on the other, with reference to the following facts:

RECITALS

A. This Agreement is being entered into pursuant to that certain Consulting Agreement of even date herewith, between the Company and Consultant ("Consulting Agreement").

B. The Company has retained the services of Consultant to provide Policies and Procedures and other services as called upon from time to time.

C. The Company desires to protect various proprietary and confidential information that it uses in its business.

Therefore, the parties hereto do hereby agree as follows:

1. Definition of Confidential Information.

(a) For the purposes of this Agreement, the term "Confidential Information" shall mean information, material and trade secrets (i) proprietary to the Company or to any Affiliate (as defined below) of the Company or (ii) designated as confidential by the Company, whether or not owned or developed by the Company, which Consultant may obtain knowledge of or access to, through or as a result of, Consultant's relationship with the Company or with any Affiliate of the Company.

(b) Without limiting the generality of the foregoing, Confidential Information shall include, but is not limited to, the following types of information and other information of a similar nature (whether or not reduced to writing or still in development):

(i) The "Technology," which means:

(1) Any and all "Creations" as defined below; and

(2) any and all enhancements thereto.

(ii) Economic and financial analyses, marketing techniques and materials, marketing and development plans, customer names and other information related to customers, price lists, pricing policies, financial information and Consultant files.

(iii) Information constituting a "trade secret" as defined in California Civil Code Section 3426.1.

(iv) Any information described above which Company obtains from another party and which Company treats as proprietary or designates as Confidential Information, whether or not owned or developed by the Company.

(c) The term "Creations" shall mean any and all discoveries, ideas, inventions, concepts, software in various states of development, designs, drawings, specifications, techniques, models, data, source code, object code, documentation, diagrams, flow charts, research, developments, processes, procedures, "know-how," any enhancements to the foregoing and Consultant's files that may be conceived or developed by Consultant, either alone or with others, during the term of this Agreement, whether or not conceived or developed during Consultant's working hours, that relate to the Products or the Company's Business (each as defined in the Consulting Agreement) or to the Company's actual or demonstrably anticipated research and development, *or* that result from any services rendered by Consultant for the Company.

(d) The term "Affiliate" shall mean, with respect to any person or entity, any other person or entity which, directly or indirectly through one or more intermediaries, is in control of, is controlled by or is under common control with such person or entity. "Control of," "controlled by" and "under common control with" mean the possession, directly or indirectly, of the power to direct or cause the direction of the management policies of a person or entity, by contract or credit arrangement, as trustee or executor or otherwise. The term "Affiliate" includes, but is not limited to, each and every subsidiary of the Company, if any.

(e) INFORMATION PUBLICLY KNOWN THAT IS GENERALLY EMPLOYED BY THE TRADE AT OR AFTER THE TIME CONSULTANT FIRST LEARNS OF SUCH INFORMATION, OR GENERIC INFORMATION OR KNOWLEDGE WHICH CONSULTANT WOULD HAVE LEARNED IN THE COURSE OF SIMILAR SERVICES OR EMPLOYMENT ELSEWHERE IN THE TRADE, SHALL NOT BE DEEMED PART OF THE CONFIDENTIAL INFORMATION.

(f) Any capitalized terms used and not otherwise defined herein shall have the meanings, if any, ascribed to them in the Consulting Agreement.

2. Confidential Treatment. Consultant hereby agrees, during the term of his consulting arrangement with Company and at all times thereafter, to hold in confidence and not to directly or indirectly reveal, report, publish, disclose or transfer any of the Confidential Information to any person or entity, or utilize any of the Confidential Information for any purpose, except in the course of Consultant's services for Company, without the prior written consent of the chief executive officer of Company. Consultant agrees that, as between Consultant and Company, Company owns all of the Confidential Information, and Consultant hereby agrees to regard and preserve as confidential all Confidential Information. Consultant hereby agrees not to take, retain or copy, without the prior written consent of the chief executive officer of Company, any or all of the Confidential Information. Without limiting the generality of the foregoing, during the term hereof and after termination of Consultant's employment with the Company, Consultant shall not use, build, reverse-engineer, decompile, modify for use or disassemble any of the Technology.

3. Ownership. The Technology including without limitations any and all Creations shall be the sole and exclusive property of the Company. At any time upon the request of the Company, Consultant shall: (i) assign, without charge to the Company, all his rights, title, and interests in any of the Creations to the Company; (ii) execute, acknowledge, and deliver any and

all instruments necessary to confirm the Company's complete ownership of the Creations; and (iii) perform all other reasonable acts which may be necessary to perfect and to protect the Company's ownership rights in the Creations. Consultant hereby assigns to the Company all of his right, title and inters in and to the Creations. Consultant shall disclose promptly and only to the Company, and shall make an adequate record of, any and all Creations conceived or developed by Consultant (either alone or jointly with others) during the term of this Agreement and within one year thereafter, whether or not the property of the Company.

4. Return of Materials and Copies. All notes, data, reference materials, sketches, drawings, memoranda, documentation and records in any way incorporating or reflecting any of the Confidential Information and all proprietary rights therein, including copyrights, shall belong exclusively to Company, and Consultant hereby agrees to turn over promptly all copies of such materials in Consultant's control to Company upon Company's request or upon termination of Consultant's employment by Company.

5. Non-Competition and Non-Solicitation. During the Company's employment of Consultant and for a period of two (2) years following the term of the Consulting Agreement, Consultant shall not assist, become employed by or engage in any consulting or other services for any person or entity that is engaged in any business or other activity in competition with the Company, nor solicit or entice any of the Company's employees to do any of the foregoing. During the Company's employment of Consultant and for a period of two (2) years following the term of the Consulting Agreement, Consultant shall not set up or take preliminary steps to set up or engage in any business enterprise that would be in competition with the Company and Consultant shall disclose to the Company, any and all competitive plans that Consultant may have, without regard to Consultant's intent to act or not act on such plans.

6. Fiduciary Obligations. Nothing in this Agreement is intended to limit Consultant's obligations to Company in any capacity, and Consultant shall be bound by all fiduciary and other obligations to Company which may arise by reason of Consultant's employment, capacity or other duties to the Company.

7. Injunctive Relief. Due to the unique nature of the Confidential Information, Consultant understands and hereby agrees that Company will suffer irreparable harm in the event that Consultant fails to comply with any of Consultant's obligations under Section 2 or 3 above and that monetary damages will be inadequate to compensate Company for such breach. Accordingly, Consultant hereby agrees that Company will be entitled, in addition to any other remedies available to it at law or in equity, to injunctive relief to enforce the terms of Sections 2 and 3 above.

8. Amendments; Consents. No amendment, modification, supplement, termination or waiver of any provision in this Agreement, and no consent to any departure therefrom, shall be effective unless in writing and signed by both Consultant and Company and then only in the specific instance and for the specific purpose given.

9. Notice. Any notices required or permitted to be given in writing and will be deemed received when personally delivered or, if earlier, ten (10) days after mailing by registered or certified United States mail, postage prepaid, and with return receipt requested. Notice to the Company is valid if sent to the Company's principal place of business and notice to Consultant is valid if sent to Consultant at Consultant's address as it appears in the Company's records.

10. Counterparts. This Agreement may be executed in any number of counterparts, each of which shall be deemed to be an original, and all such counterparts when taken together shall be deemed to be but one and the same instrument.

11. Binding Effect; Assignment. This Agreement shall be binding upon and inure to the benefit of Consultant and Company and their respective permitted successors and assigns. This Agreement, including the rights and obligations hereunder, shall not be assigned or transferred by Consultant without the prior written consent of Company.

12. Integration; Construction. This Agreement (together with the Consulting Agreement) shall comprise the complete and integrated agreement of the Company and Consultant and shall supersede all prior agreements, written or oral, on the subject matter hereof. Neither party hereto shall have a provision construed against it by reason of such party having drafted the same.

13. Governing Law. This Agreement shall be governed by, and construed and enforced in accordance with, the laws of the State of California.

14. Severability of Provisions. Any provision in this Agreement that is held to be inoperative, unenforceable or invalid in any jurisdiction shall be, as to that jurisdiction only, inoperative, unenforceable or invalid without affecting the remaining provisions in that jurisdiction or the operation, enforceability or validity of those provisions in any other jurisdiction, and to this end the provisions of this Agreement shall be severable.

15. Headings. Headings of this Agreement are included for convenience only and shall not be considered a part of this Agreement for any other purpose.

16. Attorneys' Fees. In the event of any litigation or other dispute arising as a result of or by reason of this Agreement, the prevailing party in any such litigation or other dispute shall be entitled to, in addition to any other damages assessed, its reasonable attorneys' fees, and all other costs and expenses incurred in connection with settling or resolving such dispute. The attorneys' fees which the prevailing party is entitled to recover shall include fees for prosecuting or defending any appeal and shall be awarded for any supplemental proceedings until the final judgment is satisfied in full. In addition to the foregoing award of attorneys' fees to the prevailing party, the prevailing party in any lawsuit on this Agreement shall be entitled to its reasonable attorneys' fees incurred in any post judgment proceedings to collect or enforce the judgment. This attorneys' fees provision is separate and several and shall survive the merger of this Agreement into any judgment.

17. Waiver; Rights and Remedies. Neither Consultant's nor Company's failure to exercise any right under this Agreement shall constitute a waiver of any other term or condition of this Agreement with respect to any other preceding, concurrent or subsequent breach, nor shall it constitute a waiver by the Company or Consultant of its rights at any time thereafter to require exact and strict compliance with any of the terms of this Agreement. The rights and remedies set forth in this Agreement shall be in addition to any other rights or remedies which may be granted by law.

(Signature page follows)

Save the World Air, Inc.

IN WITNESS WHEREOF, the parties hereto have executed or caused their respective duly authorized officer to execute this Agreement as of the date first set forth above.

SAVE THE WORLD AIR, INC.

By /s/ EUGENE E. EICHLER
Eugene E. Eichler
Its Chief Financial Officer

CONSULTANT

By /s/ ADRIAN MENZELL
Name Adrian Menzell
Address:

ANNEX C
CONSULTANT'S COMPENSATION

Pursuant to Section 6 of the Agreement to which this Annex is attached, and into which the provisions of this Annex are incorporated, and subject to the terms and conditions contained in the Agreement, the Company shall pay and deliver to Consultant the following:

(a) *Consulting Fees*. The Company shall pay Consultant compensation equal to AU$7,000 per month, payable semi-monthly in accordance with the Company's usual payroll practices. Such consulting fees shall be payable to Consultant by no later than the twenty-fifth (25th) day of each calendar month, provided the Company shall have received from Consultant (i) a reasonably detailed accounting of consulting services rendered by Consultant during the immediately preceding month by no later than the fifth day of the calendar month, together with (ii) any supporting documentation for such accounting as the Company may reasonably request from Consultant by no later than five Business Days following the date of such request. The term *"Business Day"* as used herein shall mean any day other than a Saturday, Sunday or a day on which banks in Los Angeles, California are authorized or required to be closed.

(b) *Equity Incentives.* Subject to compliance with applicable securities laws, the Company shall grant and/or issue to Consultant Common stock awards for an aggregate of 200,000 shares of Company common stock, as follows:

Type of shares:	Common Stock.	
Number of shares:	Grant 1:	100,000
	Grant 2:	100,000
Award vesting:		
Grant 1:	On the first anniversary of this Agreement.	
Grant 2:	On the second anniversary of this Agreement.	

Other:	Upon vesting of Grant 1 or Grant 2, the Company shall promptly deliver stock certificates to Consultant evidencing the number of shares having then vested. Consultant must be engaged or employed by the Company at the time of the award; *provided* that the award shall vest automatically if Consultant is terminated without cause prior to expiration of the term of the Agreement. The Company shall provide Consultant with a separate "Notice of Stock Grant."

(c). *Other Incentives*. The Company shall pay and/or provide to Consultant the following:

A royalty of {US$0.25 per unit or ZEFS device sold by the Company (after allowance for any returns and return reserves). The royalty shall be payable 30 days after the close of each quarter in arrears.

Royalties shall be payable 30 days after the close of each quarter in arrears.

Exhibit 10.21

CONSULTING AGREEMENT

This Consulting Agreement *("Agreement")* is made effective and entered into as of April 1, 2003, by and between Save **the World Air, Inc.,** a Nevada corporation (the *"Company"),* and **Pat Baker** *("Consultant'),* with reference to the following facts:

RECITALS

A. The Company has developed proprietary technologies for reducing harmful emissions from fuel combustion engines and improving fuel efficiency, among other benefits. The development of these proprietary technologies and enhancements to them, as well as the anticipated manufacturing, distribution and sale of products derived from them, are sometimes referred to below as the Company's "Business." The Company's current products are known as the *ZEFS* device, as described in the Company's patent applications which are pending in various countries (the *"ZEFS Product').* The Company is currently engaged in research and development for next-generation products and enhancements for use with diesel engines *("Diesel Product"),* multiport or multipoint electronic fuel injection *("EFI Product'),* each of which may consist of a device that is attached to an engine or to a component that is attached to the engine or a technology that is incorporated into an engine or a component attached to an engine. The ZEFS Products, Diesel Products and EFI Products are sometimes referred to collectively in this Agreement as the *"Products."*

B. The parties hereto anticipate that the Products will be based on the ZEFS Product or new technologies developed pursuant to this Agreement and certain related consulting agreements being entered into between the Company and certain others who are part of the Company's R&D team.

C. The Company desires to engage the services of Consultant to assist the Company in research and development and to provide other services and assistance to the Company in matters relating to the Company's business, as they may arise from time to time, upon the terms and conditions contained herein.

D. Consultant desires to provide services to the Company upon the terms and conditions contained herein.

NOW, THEREFORE, the Company and Consultant hereby mutually agree as follows:

Section 1. *Scope of Services to Be Provided.* Consultant shall provide to the Company, on an as needed basis, assistance, advice and support relating to the Company's business, including technical support of the project lead and development team, as the Company may request from time to time. Without limiting the generality of the foregoing, Consultant shall:

(a) *R&D.* Consultant shall undertake and perform the tasks outlined on *Annex A* hereto and such additional or other responsibilities as may be reasonably assigned to Consultant from time to time by the Company's Chief Executive Officer, President, Chief Operating Officer, Consultant's project supervisors or Director of R&D.

(b) *Reports*. Consultant shall assist in the preparation of regular monthly reports to the Company or Consultant's project supervisor on the efforts expended and undertaken on each project assigned to or undertaken by Consultant. Consultant shall maintain and make available to the Company upon request complete records for purchases, products, prices, analyses, testing and test results, contacts, drawings and such other matters as the Company may request from time to time.

(c) *Procedures for Maintaining Proprietary Information.* Consultant shall keep and maintain such procedures as may be customary and appropriate and as may be specified by the Company to protect, maintain and keep confidential any proprietary or confidential information of the Company, including without limitation all know how and information that may constitute a trade secret or otherwise confer strategic or competitive advantages to the Company, by use of passwords, locked cabinets, identification of such information and materials as *"Confidential'* and other limits on access as may be customary or appropriate or set forth in Company policies.

Section 2. *Non-Disclosure Obligations*. Concurrently with the parties' execution of this Agreement, Consultant shall execute and deliver to the Company the Confidentiality Agreement attached hereto as *Annex B* (the *"Confidentiality Agreement"),* the provisions of which are incorporated herein by this reference.

Section 3. *Consultant's Representations and Covenants*. Consultant represents, warrants and covenants to the Company that:

(a) Consultant shall devote such time, energy, interest, ability, and skill as may be fairly and reasonably necessary to provide to the Company the services described in Section 1 above.

(b) The Company may require Consultant to travel to its U.S. offices and facilities at the Company's expense at least twice per year and internationally from time to time as may be reasonably required to fulfill Consultant's assigned duties and responsibilities, provided that each such trip shall not exceed two weeks without Consultant's consent.

(c) Consultant shall not, during the term of this Agreement, directly or indirectly, promote, participate, or engage in any business activity that would materially interfere with the performance of Consultant's duties under this Agreement or which is competitive with the Company's or any Company Affiliate's business, including, without limitation, any involvement as a shareholder, director, officer, employee, partner, joint venturer, consultant, advisor, individual proprietor, lender, or agent of any business, without the prior written consent of the Company. The term *"Affiliate"* shall mean, with respect to any person or entity, any other person or entity which, directly or indirectly through one or more intermediaries, is in control of, is controlled by or is under common control with, such person or entity. *"Control of," "controlled by"* and *"under common control with"* mean the possession, directly or indirectly, of the power to direct or cause the direction of the management policies of a person or entity, by contract or credit arrangement, as trustee or executor, or otherwise. The term "Affiliate" includes, but is not limited to, each and every subsidiary of the Company.

(d) During the term of this Agreement and for a period of one year after the termination of this Agreement, Consultant shall not solicit, attempt to solicit, or cause to be solicited any customers of the Company for purposes of promoting or selling products or services which are competitive with those of the Company, nor shall Consultant solicit, attempt to solicit, or cause to be solicited any employees, agents, or other independent contractors of the Company to cease their relationship with the Company.

(e) Consultant does not have any agreements with or commitments to any other person or entity which conflict with any of Consultant's obligations to the Company arising under this Agreement.

(f) Consultant shall maintain any and all licenses and permits as may be required for Consultant to provide the consulting services contemplated hereby. In the event Consultant shall utilize the services or shall acquire any products in order to render the consulting services contemplated hereby, Consultant shall be solely responsible for the payment for such services and products, except to the extent reimbursable by the Company in accordance with Section 7 below. Consultant shall be solely responsible for any and all income and other taxes that may be due to any state, local or federal governmental authorities in respect of the compensation to Consultant pursuant to this Agreement. Consultant acknowledges that the Company shall not make any withholdings from payments to Consultant hereunder.

(g) Except upon. the express written consent of the Company, Consultant shall have no authority, and shall not represent, suggest or imply that Consultant has the authority, express or implied: (1) to bind the Company to any agreements or arrangements, written or oral; (2) to make an offer or accept an offer on behalf of the Company; or (3) to make representations, warranties, guaranties, commitments or covenants on behalf of Company.

Section 4. *Ownership.*

(a) The compensation payments set forth herein shall be full and complete compensation both for all obligations assumed by Consultant hereunder and for any and all Creations (as defined in the Confidentiality Agreement) assigned under this Agreement.

(b) The Company shall retain the exclusive right to use or distribute, at its sole discretion, any and all Creations. Consultant shall make no claim on any consideration received by the Company for the sale, lease or use of the Creations.

(c) The Company shall include Consultant's profile on its Company website with other members of the R&D team and may include such information as it deems appropriate in the Company's Product and marketing materials.

Section 5. *Term.* This Agreement shall terminate on March 31,2005, unless earlier terminated in accordance with this Section 5. In addition, this Agreement shall terminate automatically upon the death of Consultant, or the mental or physical incapacity of Consultant for a period of 60 consecutive days. Either party hereto may terminate this Agreement upon a material breach of this Agreement by the other party; and the Company may terminate this Agreement upon a material breach of the Confidentiality Agreement by Consultant.

Section 6. *Compensation.* Consultant's compensation for his consulting services hereunder shall be as set forth on *Annex* C hereto.

Section 7. *Reimbursement of Business Expenses.* To the extent Consultant is authorized by the Company to order equipment and supplies or make other expenditures to carry out Consultant's duties hereunder, the Company shall reimburse Consultant for the actual costs thereof, subject to receipt of such documentation and other information as the Company may reasonably request or require in accordance with its policies, and subject further to any limitations on the amount that Consultant may be authorized to incur in ordering such equipment and supplies or making other expenditures on the Company's behalf. Reimbursement for each qualifying expense shall be made on the last day of the calendar month following the month in which a receipt for payment by Consultant of such expense item and any and all other documentation which the Company may reasonably require regarding the expense item was submitted to Company.

Section 8. *Independent Contractor.* Consultant shall be retained by the Company only for the purposes and to the extent set forth in this Agreement, and his relation to the Company, during the term of this Agreement, shall be that of an independent contractor. Consultant shall not be considered as having an employee status.

Section 9. *Injunctive Relief.* Remedies at law shall be deemed to be inadequate for any breach of any of the covenants of this Agreement, and the Company shall be entitled to injunctive relief in addition to any other remedies it may have in the event of such breach.

Section 10. *Indemnification.* If Consultant becomes a defendant in, or is threatened to be made a party to, a Claim by reason of (or arising in part out of) an Indemnifiable Event, the Company shall indemnify, defend and hold harmless Consultant against any and all Expenses, judgments, fines, penalties and amounts paid in settlement (including all interest, assessments and other charges paid or payable in connection with or in respect of such Expenses, judgments, fines, penalties or amounts paid in settlement) of any Claim, subject to any limitations set forth herein below. For purposes of this section, the following terms shall have the meanings set forth below:

(a) "Claim" shall mean any threatened, pending or completed action, suit or proceeding against Consultant, whether civil, criminal, administrative, investigative or other.

(b) "Expenses" shall mean attorneys' fees and all other costs, expenses and obligations paid or incurred by Consultant arising from defense of a Claim.

(c) "Indemnifiable Event" shall mean any act or omission of Consultant in carrying out Consultant's duties under this Agreement that is (i) other than a criminal act and (ii) within the scope of Consultant's services to the Company under this Agreement, including without limitation Claims alleging facts based on theories of negligence; violation of securities laws in connection with the offer and sale of the Company's securities; that the Consultant is or was an agent, employee or fiduciary of the Company; or that Consultant is or was serving at the request of the Company as a director, officer, employee, trustee, agent or fiduciary of another

corporation, partnership, joint venture, employee benefit plan, trust or other enterprise, or relating to anything done or not done by the Consultant in any such capacity.

Section 11. *Amendments; Consents.* No amendment, modification, supplement, termination, or waiver of any provision in this Agreement, and no consent to any departure therefrom, shall be effective unless in writing and signed by both Consultant and the Company and then only in the specific instance and for the specific purpose given.

Section 12. *Notices.* Any notices required or permitted to be given in writing will be deemed received when personally delivered or, if earlier, ten (10) days after mailing by registered or certified United States mail, postage prepaid, and return receipt requested. Notice to the Company is valid if sent to the Company's principal place of business and notice to Consultant is valid if sent to Consultant at Consultant's address as it appears in the Company's records. The Company or Consultant may change their address only by notice given to the other in the manner set forth herein.

Section 13. *Counterparts; Facsimile Signatures.* This Agreement may be executed in two or more counterparts, and the counterparts, taken together, shall constitute one original. Executed copies of this Agreement and any amendments or modifications thereto may be delivered by facsimile transmission in lieu of an original.

Section 14. *Binding Effect; Assignment.* This Agreement shall be binding upon and inure to the benefit of Consultant and the Company and their respective permitted successors and assigns. This Agreement, including the rights and obligations hereunder, shall not be assigned, delegated or transferred by Consultant without the prior written consent of the Company.

Section 15. *Integration; Construction.* This Agreement (together with the appendices thereof) shall comprise the complete and integrated agreement of the Company and Consultant and shall supersede all prior agreements, written or oral, on the subject matter hereof. Neither party hereto shall have a provision construed against it by reason of such party having drafted the same.

Section 16. *Survival.* The rights and obligations provided in Section 3(c), Section 4, Section 9, Section 10, Section 14, Section 20 and paragraph (c) of Annex C hereto shall survive termination of this Agreement.

Section 17. *Governing Law.* This Agreement shall be governed by, and construed and enforced in accordance with, the laws of the State of California.

Section 18. *Severability of Provisions.* Any provision in this Agreement that is held to be inoperative, unenforceable, or invalid in any jurisdiction shall be, as to that jurisdiction only, inoperative, unenforceable, or invalid without affecting the remaining provisions in that jurisdiction or the operation, enforceability, or validity of those provisions in any other jurisdiction, and to this end the provisions of this Agreement shall be severable.

Section 19. *Headings.* Headings of this Agreement are included for convenience only and shall not be considered a part of this Agreement for any other purpose.

Section 20. *Attorneys' Fees*. In the event of any litigation or other dispute arising as a result of or by reason of this Agreement, the prevailing party in any such litigation or other dispute shall be entitled to, in addition to any other damages assessed, its reasonable attorneys' fees, and all other costs and expenses incurred in connection with settling or resolving such dispute. The attorneys' fees which the prevailing party is entitled to recover shall include fees for prosecuting or defending any appeal and shall be awarded for any supplemental proceedings until the final judgment is satisfied in full. In addition to the foregoing award of attorneys' fees to the prevailing party, the prevailing party in any lawsuit on this Agreement shall be entitled to its reasonable attorneys' fees incurred in any post judgment proceedings to collect or enforce the judgment This attorneys' fees provision is separate and several and shall survive the merger of this Agreement into any judgment.

Section 21. *Waiver; Rights and Remedies*. Neither Consultant's nor the Company's failure to exercise any right under this Agreement shall constitute a waiver of any other term or condition of this Agreement with respect to any other preceding, concurrent, or subsequent breach, nor shall it constitute a waiver by the Company or Consultant of its rights at any time thereafter to require exact and strict compliance with any of the terms of this Agreement. The rights and remedies set forth in this Agreement shall be in addition to any other rights or remedies which may be granted by law.

IN WITNESS WHEREOF, the parties hereto have executed or caused their respective duly authorized officer to execute this Agreement as of the date first set forth above.

CONSULTANT

By: /s/ PATRICK DENNIS BAKER

Name: Patrick Dennis Baker

SAVE THE WORLD AIR, INC.

By: /s/ EUGENE E. EICHLER

Name: Eugene E. Eichler

Title: Chief Operating Officer

ANNEX A
Consultant's Duties and Responsibilities

- The design, development of new configuration and testing of all units.
- Assist in preparatory to reports to the Company in relation to the ZEFS devices.
- Development of new ways of dealing with the issue of multi-port fuel injection.

ANNEX "B"

CONFIDENTIALITY AGREEMENT

This Confidentiality Agreement ("Agreement") dated as of April 1, 2003, is entered into by and between the individual whose name appears on the signature page of the related Consulting Agreement ("Consultant"), on the one hand, and Save the World Air, Inc., a Nevada corporation (the "Company"), on the other, with reference to the following facts:

RECITALS

A. This Agreement is being entered into pursuant to that certain Consulting Agreement of even date herewith, between the Company and Consultant ("Consulting Agreement").

B. The Company has retained the services of Consultant to provide Policies and Procedures and other services as called upon from time to time.

C. The Company desires to protect various proprietary and confidential information that it uses in its business.

Therefore, the parties hereto do hereby agree as follows:

1. Definition of Confidential Information.

(a) For the purposes of this Agreement, the term "Confidential Information" shall mean information, material and trade secrets (i) proprietary to the Company or to any Affiliate (as defined below) of the Company or (ii) designated as confidential by the Company, whether or not owned or developed by the Company, which Consultant may obtain knowledge of or access to, through or as a result of, Consultant's relationship with the Company or with any Affiliate of the Company.

(b) Without limiting the generality of the foregoing, Confidential Information shall include, but is not limited to, the following types of information and other information of a similar nature (whether or not reduced to writing or still in development):

(i) The "Technology," which means:

(1) Any and all "Creations" as defined below; and

(2) any and all enhancements thereto.

(ii) Economic and financial analyses, marketing techniques and materials, marketing and development plans, customer names and other information related to customers, price lists, pricing policies, financial information and Consultant files.

(iii) Information constituting a "trade secret" as defined in California Civil Code Section 3426.1.

(iv) Any information described above which Company obtains from another party and which Company treats as proprietary or designates as Confidential Information, whether or not owned or developed by the Company.

(c) The term "Creations" shall mean any and all discoveries, ideas, inventions, concepts, software in various states of development, designs, drawings, specifications, techniques, models, data, source code, object code, documentation, diagrams, flow charts, research, developments, processes, procedures, "know-how," any enhancements to the foregoing and Consultant's files that may be conceived or developed by Consultant, either alone or with others, during the term of this Agreement, whether or not conceived or developed during Consultant's working hours, that relate to the Products or the Company's Business (each as defined in the Consulting Agreement) or to the Company's actual or demonstrably anticipated research and development, *or* that result from any services rendered by Consultant for the Company.

(d) The term "Affiliate" shall mean, with respect to any person or entity, any other person or entity which, directly or indirectly through one or more intermediaries, is in control of, is controlled by or is under common control with such person or entity. "Control of," "controlled by" and "under common control with" mean the possession, directly or indirectly, of the power to direct or cause the direction of the management policies of a person or entity, by contract or credit arrangement, as trustee or executor or otherwise. The term "Affiliate" includes, but is not limited to, each and every subsidiary of the Company, if any.

(e) INFORMATION PUBLICLY KNOWN THAT IS GENERALLY EMPLOYED BY THE TRADE AT OR AFTER THE TIME CONSULTANT FIRST LEARNS OF SUCH INFORMATION, OR GENERIC INFORMATION OR KNOWLEDGE WHICH CONSULTANT WOULD HAVE LEARNED IN THE COURSE OF SIMILAR SERVICES OR EMPLOYMENT ELSEWHERE IN THE TRADE, SHALL NOT BE DEEMED PART OF THE CONFIDENTIAL INFORMATION.

(f) Any capitalized terms used and not otherwise defined herein shall have the meanings, if any, ascribed to them in the Consulting Agreement.

2. Confidential Treatment. Consultant hereby agrees, during the term of his consulting arrangement with Company and at all times thereafter, to hold in confidence and not to directly or indirectly reveal, report, publish, disclose or transfer any of the Confidential Information to any person or entity, or utilize any of the Confidential Information for any purpose, except in the course of Consultant's services for Company, without the prior written consent of the chief executive officer of Company. Consultant agrees that, as between Consultant and Company, Company owns all of the Confidential Information, and Consultant hereby agrees to regard and preserve as confidential all Confidential Information. Consultant hereby agrees not to take, retain or copy, without the prior written consent of the chief executive officer of Company, any or all of the Confidential Information. Without limiting the generality of the foregoing, during the term hereof and after termination of Consultant's employment with the Company, Consultant shall not use, build, reverse-engineer, decompile, modify for use or disassemble any of the Technology.

3. Ownership. The Technology including without limitations any and all Creations shall be the sole and exclusive property of the Company. At any time upon the request of the Company, Consultant shall: (i) assign, without charge to the Company, all his rights, title, and interests in any of the Creations to the Company; (ii) execute, acknowledge, and deliver any and

all instruments necessary to confirm the Company's complete ownership of the Creations; and (iii) perform all other reasonable acts which may be necessary to perfect and to protect the Company's ownership rights in the Creations. Consultant hereby assigns to the Company all of his right, title and inters in and to the Creations. Consultant shall disclose promptly and only to the Company, and shall make an adequate record of, any and all Creations conceived or developed by Consultant (either alone or jointly with others) during the term of this Agreement and within one year thereafter, whether or not the property of the Company.

4. Return of Materials and Copies. All notes, data, reference materials, sketches, drawings, memoranda, documentation and records in any way incorporating or reflecting any of the Confidential Information and all proprietary rights therein, including copyrights, shall belong exclusively to Company, and Consultant hereby agrees to turn over promptly all copies of such materials in Consultant's control to Company upon Company's request or upon termination of Consultant's employment by Company.

5. Non-Competition and Non-Solicitation. During the Company's employment of Consultant and for a period of two (2) years following the term of the Consulting Agreement, Consultant shall not assist, become employed by or engage in any consulting or other services for any person or entity that is engaged in any business or other activity in competition with the Company, nor solicit or entice any of the Company's employees to do any of the foregoing. During the Company's employment of Consultant and for a period of two (2) years following the term of the Consulting Agreement, Consultant shall not set up or take preliminary steps to set up or engage in any business enterprise that would be in competition with the Company and Consultant shall disclose to the Company, any and all competitive plans that Consultant may have, without regard to Consultant's intent to act or not act on such plans.

6. Fiduciary Obligations. Nothing in this Agreement is intended to limit Consultant's obligations to Company in any capacity, and Consultant shall be bound by all fiduciary and other obligations to Company which may arise by reason of Consultant's employment, capacity or other duties to the Company.

7. Injunctive Relief. Due to the unique nature of the Confidential Information, Consultant understands and hereby agrees that Company will suffer irreparable harm in the event that Consultant fails to comply with any of Consultant's obligations under Section 2 or 3 above and that monetary damages will be inadequate to compensate Company for such breach. Accordingly, Consultant hereby agrees that Company will be entitled, in addition to any other remedies available to it at law or in equity, to injunctive relief to enforce the terms of Sections 2 and 3 above.

8. Amendments; Consents. No amendment, modification, supplement, termination or waiver of any provision in this Agreement, and no consent to any departure therefrom, shall be effective unless in writing and signed by both Consultant and Company and then only in the specific instance and for the specific purpose given.

9. Notice. Any notices required or permitted to be given in writing and will be deemed received when personally delivered or, if earlier, ten (10) days after mailing by registered or certified United States mail, postage prepaid, and with return receipt requested. Notice to the Company is valid if sent to the Company's principal place of business and notice to Consultant is valid if sent to Consultant at Consultant's address as it appears in the Company's records.

10. Counterparts. This Agreement may be executed in any number of counterparts, each of which shall be deemed to be an original, and all such counterparts when taken together shall be deemed to be but one and the same instrument.

11. Binding Effect; Assignment. This Agreement shall be binding upon and inure to the benefit of Consultant and Company and their respective permitted successors and assigns. This Agreement, including the rights and obligations hereunder, shall not be assigned or transferred by Consultant without the prior written consent of Company.

12. Integration; Construction. This Agreement (together with the Consulting Agreement) shall comprise the complete and integrated agreement of the Company and Consultant and shall supersede all prior agreements, written or oral, on the subject matter hereof. Neither party hereto shall have a provision construed against it by reason of such party having drafted the same.

13. Governing Law. This Agreement shall be governed by, and construed and enforced in accordance with, the laws of the State of California.

14. Severability of Provisions. Any provision in this Agreement that is held to be inoperative, unenforceable or invalid in any jurisdiction shall be, as to that jurisdiction only, inoperative, unenforceable or invalid without affecting the remaining provisions in that jurisdiction or the operation, enforceability or validity of those provisions in any other jurisdiction, and to this end the provisions of this Agreement shall be severable.

15. Headings. Headings of this Agreement are included for convenience only and shall not be considered a part of this Agreement for any other purpose.

16. Attorneys' Fees. In the event of any litigation or other dispute arising as a result of or by reason of this Agreement, the prevailing party in any such litigation or other dispute shall be entitled to, in addition to any other damages assessed, its reasonable attorneys' fees, and all other costs and expenses incurred in connection with settling or resolving such dispute. The attorneys' fees which the prevailing party is entitled to recover shall include fees for prosecuting or defending any appeal and shall be awarded for any supplemental proceedings until the final judgment is satisfied in full. In addition to the foregoing award of attorneys' fees to the prevailing party, the prevailing party in any lawsuit on this Agreement shall be entitled to its reasonable attorneys' fees incurred in any post judgment proceedings to collect or enforce the judgment. This attorneys' fees provision is separate and several and shall survive the merger of this Agreement into any judgment.

17. Waiver; Rights and Remedies. Neither Consultant's nor Company's failure to exercise any right under this Agreement shall constitute a waiver of any other term or condition of this Agreement with respect to any other preceding, concurrent or subsequent breach, nor shall it constitute a waiver by the Company or Consultant of its rights at any time thereafter to require exact and strict compliance with any of the terms of this Agreement. The rights and remedies set forth in this Agreement shall be in addition to any other rights or remedies which may be granted by law.

(Signature page follows)

Save the World Air, Inc.

IN WITNESS WHEREOF, the parties hereto have executed or caused their respective duly authorized officer to execute this Agreement as of the date first set forth above.

SAVE THE WORLD AIR, INC.

By /s/ EUGENE E. EICHLER
Eugene E. Eichler
Its Chief Operating Officer

CONSULTANT

By /s/ PATRICK DENNIS BAKER
Name Patrick Dennis Baker
Address:

ANNEX C
CONSULTANT'S COMPENSATION

Pursuant to Section 6 of the Agreement to which this Annex is attached, and into which the provisions of this Annex are incorporated, and subject to the terms and conditions contained in the Agreement, the Company shall pay and deliver to Consultant the following:

(a) *Consulting Fees*. The Company shall pay Consultant compensation equal to AU$5,000 per month, payable semi-monthly in accordance with the Company usual payroll practices. Such consulting fees shall be payable to Consultant by no later than the twenty-fifth (25th) day of each calendar month, provided the Company shall have received from Consultant (i) a reasonably detailed accounting of consulting services rendered by Consultant during the immediately preceding month by no later than the fifth day of the calendar month, together with (ii) any supporting documentation for such accounting as the Company may reasonably request from Consultant by no later than five Business Days following the date of such request. The term *"Business Day"* as used herein shall mean any day other than a Saturday, Sunday or a day on which banks in Los Angeles, California are authorized or required to be closed.

(b) *Equity Incentives.* Subject to compliance with applicable securities laws, the Company shall grant and/or issue to Consultant Common stock awards for an aggregate of 200,000 shares of Company common stock, as follows:

Type of shares:	Common Stock.	
Number of shares:	Grant 1:	100,000
	Grant 2:	100,000
Award vesting:		
Grant 1:	On the first anniversary of the effective date of this Agreement	
Grant 2:	On the second anniversary of this Agreement.	
Other:	Upon vesting of Grant 1 or Grant 2, the Company shall promptly deliver stock certificates to Consultant evidencing the number of shares having then vested. Consultant must be engaged or employed by the Company at the time of the award; *provided* that the award shall vest automatically if Consultant is terminated without cause prior to expiration of the term of the Agreement. The Company shall provide Consultant with a separate "Notice of Stock Grant."	

(c) *Other Incentives*. The Company shall pay and/or provide to Consultant the following: the

A royalty of US$0.05 per unit or ZEFS Product sold by the Company (after allowance for any returns and return reserves).

Royalties shall be payable 30 days after the close of each quarter in arrears.

Exhibit 10.22

CONSULTING AGREEMENT

This Consulting Agreement *("Agreement"),* is made effective and entered into as of April 1,2003, by and between Save the World Air, Inc., a Nevada corporation (the *"Company"),* and John Kostic *("Consultant')* with reference to the following facts:

RECITALS

A. The Company has developed proprietary technologies for reducing harmful emissions from fuel combustion engines and improving fuel efficiency, among other benefits. The development of these proprietary technologies and enhancements to them, as well as the anticipated manufacturing, distribution and sale of products derived from them, are sometimes referred to below as the Company's ~~Business." The Company's current products are known as the *ZEFS* device, as described in the Company's patent applications which are pending in various countries (the *"ZEFS Product').* The Company is currently engaged in research and development for next-generation products and enhancements for use with diesel engines *("Diesel Product"),* multiport or multipoint electronic fuel injection *("EFI Product"),* each of which may consist of a device that is attached to an engine or to a component that is attached to the engine or a technology that is incorporated into an engine or a component attached to an engine. The ZEFS Products, Diesel Products and EFI Products are sometimes referred to collectively in this Agreement as the *"Products."*

B. The parties hereto anticipate that the Products will be based on the ZEFS Product or new technologies developed pursuant to this Agreement and certain related consulting agreements being entered into between the Company and certain others who are part of the Company's R&D team.

C. The Company desires to engage the services of Consultant to assist the Company in research and development and to provide other services and assistance to the Company in matters relating to the Company's business, as they may arise from time to time, upon the terms and conditions contained herein. .

D. Consultant desires to provide services to the Company upon the terms and conditions contained herein.

NOW, THEREFORE, the Company and Consultant hereby mutually agree as follows:

Section 1. *Scope of Services to Be Provided.* Consultant shall provide to the Company, on an as needed basis, assistance, advice and support relating to the Company's business, including project management and supporting the project lead and development team, as the Company may request from time to time. Without limiting the generality of the foregoing, Consultant shall:

(a) *R&D.* Consultant shall undertake and perform the tasks outlined on *Annex A* hereto and such additional or other responsibilities as may be reasonably assigned to Consultant from time to time by the Company's Chief Executive Officer, President, Chief Operating Officer or Director of R&D.

(b) *Reports*. Consultant shall provide regular monthly reports to the Company on the efforts expended and undertaken on each project assigned to or undertaken by Consultant. Consultant shall maintain and make available to the Company upon request complete records for purchases, products, prices, analyses, testing and test results, contacts, drawings and such other matters as the Company may request from time to time.

(c) *Potential Customers*. Consultant shall use its best efforts to actively and diligently identify and provide to the Company potential customers and, when requested by the Company, demonstrate the Company's products for potential customers and others to demonstrate the products' operation and capabilities.

(d) *Procedures for Maintaining Proprietary Information.* Consultant shall keep and maintain such procedures as may be customary and appropriate and as may be specified by the Company to protect, maintain and keep confidential any proprietary or confidential information of the Company, including without limitation all know how and information that may constitute a trade secret or otherwise confer strategic or competitive advantages to the Company, by use of passwords, locked cabinets, identification of such information and materials as *"Confidential"* and other limits on access as may be customary or appropriate or set forth in Company policies.

(e) *Travel.* The Company may require Consultant to travel at Company expense to its U.S. offices and facilities at least twice per year and internationally from time to time as may be reasonably required to fulfill Consultant's assigned duties and responsibilities, provided that each such trip shall not exceed two weeks without Consultant's consent.

Section 2. *Non-Disclosure Obligations*. Concurrently with the parties' execution of this Agreement, Consultant shall execute and deliver to the Company the Confidentiality Agreement attached hereto as *Annex B* (the *"Confidentiality Agreement"),* the provisions of which are incorporated herein by this reference.

Section 3. *Consultant's Representations and Covenants*. Consultant represents, warrants and covenants to the Company that:

(a) Consultant shall devote such time, energy, interest, ability, and skill as may be fairly and reasonably necessary to provide to the Company the services described in Section 1 above.

(b) The Company may require Consultant to travel to its U.S. offices and facilities at the Company's expense at least twice per year and internationally from time to time as may be reasonably required to fulfill Consultant's assigned duties and responsibilities, provided that each such trip shall not exceed two weeks without Consultant's consent.

(c) Consultant shall not, during the term of this Agreement, directly or indirectly, promote, participate, or engage in any business activity that would materially interfere with the performance of Consultant's duties under this Agreement or which is competitive with the Company's or any Company Affiliate's business, including, without limitation, any involvement as a shareholder, director, officer, employee, partner, joint venturer, consultant, advisor, individual proprietor, lender, or agent of any business, without the prior written consent of the Company. The term *"Affiliate"* shall mean, with respect to any person or entity, any other

person or entity which, directly or indirectly through one or more intermediaries, is in control of, is controlled by or is under common control with, such person or entity. *"Control of," "controlled by"* and *"under common control with"* mean the possession, directly or indirectly, of the power to direct or cause the direction of the management policies of a person or entity, by contract or credit arrangement, as trustee or executor, or otherwise. The term "Affiliate" includes, but is not limited to, each and every subsidiary of the Company.

(d) During the term of this Agreement and for a period of one year after the termination of this Agreement, Consultant shall not solicit, attempt to solicit, or cause to be solicited any customers of the Company for purposes of promoting or selling products or services which are competitive with those of the Company, nor shall Consultant solicit, attempt to solicit, or cause to be solicited any employees, agents, or other independent contractors of the Company to cease their relationship with the Company.

(e) Consultant does not have any agreements with or commitments to any other person or entity which conflict with any of Consultant's obligations to the Company arising under this Agreement.

(f) Consultant shall maintain any and all licenses and permits as may be required for Consultant to provide the consulting services contemplated hereby. In the event Consultant shall utilize the services or shall acquire any products in order to render the consulting services contemplated hereby, Consultant shall be solely responsible for the payment for such services and products, except to the extent reimbursable by the Company in accordance with Section 7 below. Consultant shall be solely responsible for any and all income and other taxes that may be due to any state, local or federal governmental authorities in respect of the compensation to Consultant pursuant to this Agreement. Consultant acknowledges that the Company shall not make any withholdings from payments to Consultant hereunder.

(g) Except upon the express written consent of the Company, Consultant shall have no authority, and shall not represent, suggest or imply that Consultant has the authority, express or implied: (1) to bind the Company to any agreements or arrangements, written or oral; (2) to make an offer or accept an offer on behalf of the Company; or (3) to make representations, warranties, guaranties, commitments or covenants on behalf of Company.

Section 4. *Ownership.*

(a) The compensation payments set forth herein shall be full and complete compensation both for all obligations assumed by Consultant hereunder and for any and all Creations (as defined in the Confidentiality Agreement) assigned under this Agreement.

(b) The Company shall retain the exclusive right to use or distribute, at its sole discretion, any and all Creations. Consultant shall make no claim on any consideration received by the Company for the sale, lease or use of the Creations.

(c) The Company shall include Consultant's profile on its Company website with other members of the R&D team and may include such information as it deems appropriate in the Company's Product and marketing materials.

Section 5. *Term.* This Agreement shall terminate on March 31, 2005, unless earlier terminated in accordance with this Section 5. In addition, this Agreement shall terminate automatically upon the death of Consultant, or the mental or physical incapacity of Consultant for a period of 60 consecutive days. Either party hereto may terminate this Agreement upon a material breach of this Agreement by the other party; and the Company may terminate this Agreement upon a material breach of the Confidentiality Agreement by Consultant.

Section 6. *Compensation.* Consultant's compensation for his consulting services. hereunder shall be as set forth on *Annex* C *hereto.*

Section 7. *Reimbursement of Business Expenses.* To the extent Consultant is authorized by the Company to order equipment and supplies or make other expenditures to carry out Consultant's duties hereunder, the Company shall reimburse Consultant for the actual costs thereof, subject to receipt of such documentation and other information as the Company may reasonably request or require in accordance with its policies, and subject further to any limitations on the amount that Consultant may be authorized to incur in ordering such equipment and supplies or making other expenditures on the Company's behalf. Reimbursement for each qualifying expense shall be made on the last day of the calendar month following the month in which a receipt for payment by Consultant of such expense item and any and all other documentation which the Company may reasonably require regarding the expense item was submitted to Company.

Section 8. *Independent Contractor.* Consultant shall be retained by the Company only for the purposes and to the extent set forth in this Agreement, and his relation to the Company, during the term of this Agreement, shall be that of an independent contractor. Consultant shall not be considered as having an employee status.

Section 9. *Injunctive Relief.* Remedies at law shall be deemed to be inadequate for any breach of any of the covenants of this Agreement, and the Company shall be entitled to injunctive relief in addition to any other remedies it may have in the even! of such breach.

Section 10. *Indemnification.* If Consultant becomes a defendant in, or is threatened to be made a party to, a Claim by reason of (or arising in part out of) an Indemnifiable Event, the Company shall indemnify, defend and hold harmless Consultant against any and all Expenses, judgments, fines, penalties and amounts paid in settlement (including all interest, assessments and other charges paid or payable in connection with or in respect of such Expenses, judgments, fines, penalties or amounts paid in settlement) of any Claim, subject to any limitations set forth herein below. For purposes of this section, the following terms shall have the meanings set forth below:

(a) "Claim" shall mean any threatened, pending or completed action, suit or proceeding against Consultant, whether civil, criminal, administrative, investigative or other.

(b) "Expenses" shall mean attorneys' fees and all other costs, expenses and obligations paid or incurred by Consultant arising from defense of a Claim.

(c) "Indemnifiable Event" shall mean any act or omission of Consultant in carrying out Consultant's duties under this Agreement that is (i) other than a criminal act and (ii) within the

scope of Consultant's services to the Company under this Agreement, including without limitation Claims alleging facts based on theories of negligence; violation of securities laws in connection with the offer and sale of the Company's securities; that the Consultant is or was an agent, employee or fiduciary of the Company; or that Consultant is or was serving at the request of the Company as a director, officer,. employee, trustee, agent or fiduciary of another corporation, partnership, joint venture, employee benefit plan, trust or other enterprise, or relating to anything done or not done by the Consultant in any such capacity.

Section 11. *Amendments; Consents.* No amendment, modification, supplement, termination, or waiver of any provision in this Agreement, and no consent to any departure therefrom, shall be effective unless in writing and signed by both Consultant and the Company and then only in the specific instance and for the specific purpose given.

Section 12. *Notices.* Any notices required or permitted to be given in writing will be deemed received when personally delivered or, if earlier, ten (10) days after mailing by registered or certified United States mail, postage prepaid, and return receipt requested. Notice to the Company is valid if sent to the Company's principal place of business and notice to Consultant is valid if sent to Consultant at Consultant's address as it appears in the Company's records. The Company or Consultant may change their address only by notice given to the other in the manner set forth herein.

Section 13. *Counterparts; Facsimile ,Signatures.* This Agreement may be executed in two or more counterparts, and the counterparts, taken together, shall constitute one original. Executed copies of this Agreement and any amendments or modifications thereto may be delivered by facsimile transmission in lieu of an original.

Section 14. *Binding Effect; Assignment.* This Agreement shall be binding upon and inure to the benefit of Consultant and the Company and their respective permitted successors and assigns. This Agreement, including the rights and obligations hereunder, shall not be assigned, delegated or transferred by Consultant without the prior written consent of the Company.

Section 15. *Integration; Construction.* This Agreement (together with the appendices thereof) shall comprise the complete and integrated agreement of the Company and Consultant and shall supersede all prior agreements, written or oral, on the subject matter hereof. Neither party hereto shall have a provision construed against it by reason of such party having drafted the same.

Section 16. *Survival.* The rights and obligations provided in Section 3(c), Section 4, Section 9, Section 10, Section 14, Section 20 and paragraph (c) of Annex C hereto shall survive termination of this Agreement.

Section 17. *Governing Law.* This Agreement shall be governed by, and construed and enforced in accordance with, the laws of the State of California.

Section 18. *Severability of Provisions.* Any provision in this Agreement that is held to be inoperative, unenforceable, or invalid in any jurisdiction shall be, as to that jurisdiction only, inoperative, unenforceable, or invalid without affecting the remaining provisions in that

jurisdiction or the operation, enforceability, or validity of those provisions in any other jurisdiction, and to this end the provisions of this Agreement shall be severable.

Section 19. *Headings*. Headings of this Agreement are included for convenience only and shall not be considered a part of this Agreement for any other purpose.

Section 20. *Attorneys' Fees*. In the event of any litigation or other dispute arising as a result of or by reason of this Agreement, the prevailing party in any such litigation or other dispute shall be entitled to, in addition to any other damages assessed, its reasonable attorneys' fees, and all other costs and expenses incurred in connection with settling or resolving such dispute. The attorneys' fees which the prevailing party is entitled to recover shall include fees for prosecuting or defending any appeal and shall be awarded for any supplemental proceedings until the final judgment is satisfied in full. In addition to the foregoing award of attorneys' fees to the prevailing party, the prevailing party in any lawsuit on this Agreement shall be entitled to its reasonable attorneys' fees incurred in any post judgment proceedings to collect or enforce the judgment. This attorneys' fees provision is separate and several and shall survive the merger of this Agreement into any judgment.

Section 21. *Waiver; Rights and Remedies*. Neither Consultant's nor the Company's failure to exercise any right under this Agreement shall constitute a waiver of any other term or condition of this Agreement with respect to any other preceding, concurrent, or subsequent breach, nor shall it constitute a waiver by the Company or Consultant of its rights at any time thereafter to require exact and strict compliance with any of the terms of this Agreement. The rights and remedies set forth in this Agreement shall be in addition to any other rights or remedies which may be granted by law.

IN WITNESS WHEREOF, the parties hereto have executed or caused their respective duly authorized officer to execute this Agreement as of the date first set forth above.

CONSULTANT

By /s/ JOHN KOSTIC

Name: John Kostic

SAVE THE WORLD AIR, INC.

By /s/ EUGENE E. EICHLER

Name: Eugene E. Eichler

Title: Chief Operating Officer

ANNEX A

CONSULTANT'S DUTIES AND RESPONSIBILITIES

- Manage operations and business development.
- All Australian administrative work and Australian public relations work.
- Communication with Australian shareholders.
- Arranging meetings and overseeing general operations of Company in Australia.

Coordinate product testing and demonstrations.

ANNEX "B"

CONFIDENTIALITY AGREEMENT

This Confidentiality Agreement ("Agreement") dated as of April 1, 2003, is entered into by and between the individual whose name appears on the signature page of the related Consulting Agreement ("Consultant"), on the one hand, and Save the World Air, Inc., a Nevada corporation (the "Company"), on the other, with reference to the following facts:

RECITALS

A. This Agreement is being entered into pursuant to that certain Consulting Agreement of even date herewith, between the Company and Consultant ("Consulting Agreement").

B. The Company has retained the services of Consultant to provide Policies and Procedures and other services as called upon from time to time.

C. The Company desires to protect various proprietary and confidential information that it uses in its business.

Therefore, the parties hereto do hereby agree as follows:

1. Definition of Confidential Information.

(a) For the purposes of this Agreement, the term "Confidential Information" shall mean information, material and trade secrets (i) proprietary to the Company or to any Affiliate (as defined below) of the Company or (ii) designated as confidential by the Company, whether or not owned or developed by the Company, which Consultant may obtain knowledge of or access to, through or as a result of, Consultant's relationship with the Company or with any Affiliate of the Company.

(b) Without limiting the generality of the foregoing, Confidential Information shall include, but is not limited to, the following types of information and other information of a similar nature (whether or not reduced to writing or still in development):

(i) The "Technology," which means:

(1) Any and all "Creations" as defined below; and

(2) any and all enhancements thereto.

(ii) Economic and financial analyses, marketing techniques and materials, marketing and development plans, customer names and other information related to customers, price lists, pricing policies, financial information and Consultant files.

(iii) Information constituting a "trade secret" as defined in California Civil Code Section 3426.1.

(iv) Any information described above which Company obtains from another party and which Company treats as proprietary or designates as Confidential Information, whether or not owned or developed by the Company.

(c) The term "Creations" shall mean any and all discoveries, ideas, inventions, concepts, software in various states of development, designs, drawings, specifications, techniques, models, data, source code, object code, documentation, diagrams, flow charts, research, developments, processes, procedures, "know-how," any enhancements to the foregoing and Consultant's files that may be conceived or developed by Consultant, either alone or with others, during the term of this Agreement, whether or not conceived or developed during Consultant's working hours, that relate to the Products or the Company's Business (each as defined in the Consulting Agreement) or to the Company's actual or demonstrably anticipated research and development, *or* that result from any services rendered by Consultant for the Company.

(d) The term "Affiliate" shall mean, with respect to any person or entity, any other person or entity which, directly or indirectly through one or more intermediaries, is in control of, is controlled by or is under common control with such person or entity. "Control of," "controlled by" and "under common control with" mean the possession, directly or indirectly, of the power to direct or cause the direction of the management policies of a person or entity, by contract or credit arrangement, as trustee or executor or otherwise. The term "Affiliate" includes, but is not limited to, each and every subsidiary of the Company, if any.

(e) INFORMATION PUBLICLY KNOWN THAT IS GENERALLY EMPLOYED BY THE TRADE AT OR AFTER THE TIME CONSULTANT FIRST LEARNS OF SUCH INFORMATION, OR GENERIC INFORMATION OR KNOWLEDGE WHICH CONSULTANT WOULD HAVE LEARNED IN THE COURSE OF SIMILAR SERVICES OR EMPLOYMENT ELSEWHERE IN THE TRADE, SHALL NOT BE DEEMED PART OF THE CONFIDENTIAL INFORMATION.

(f) Any capitalized terms used and not otherwise defined herein shall have the meanings, if any, ascribed to them in the Consulting Agreement.

2. Confidential Treatment. Consultant hereby agrees, during the term of his consulting arrangement with Company and at all times thereafter, to hold in confidence and not to directly or indirectly reveal, report, publish, disclose or transfer any of the Confidential Information to any person or entity, or utilize any of the Confidential Information for any purpose, except in the course of Consultant's services for Company, without the prior written consent of the chief executive officer of Company. Consultant agrees that, as between Consultant and Company, Company owns all of the Confidential Information, and Consultant hereby agrees to regard and preserve as confidential all Confidential Information. Consultant hereby agrees not to take, retain or copy, without the prior written consent of the chief executive officer of Company, any or all of the Confidential Information. Without limiting the generality of the foregoing, during the term hereof and after termination of Consultant's employment with the Company, Consultant shall not use, build, reverse-engineer, decompile, modify for use or disassemble any of the Technology.

3. Ownership. The Technology including without limitations any and all Creations shall be the sole and exclusive property of the Company. At any time upon the request of the Company, Consultant shall: (i) assign, without charge to the Company, all his rights, title, and interests in any of the Creations to the Company; (ii) execute, acknowledge, and deliver any and

all instruments necessary to confirm the Company's complete ownership of the Creations; and (iii) perform all other reasonable acts which may be necessary to perfect and to protect the Company's ownership rights in the Creations. Consultant hereby assigns to the Company all of his right, title and inters in and to the Creations. Consultant shall disclose promptly and only to the Company, and shall make an adequate record of, any and all Creations conceived or developed by Consultant (either alone or jointly with others) during the term of this Agreement and within one year thereafter, whether or not the property of the Company.

4. Return of Materials and Copies. All notes, data, reference materials, sketches, drawings, memoranda, documentation and records in any way incorporating or reflecting any of the Confidential Information and all proprietary rights therein, including copyrights, shall belong exclusively to Company, and Consultant hereby agrees to turn over promptly all copies of such materials in Consultant's control to Company upon Company's request or upon termination of Consultant's employment by Company.

5. Non-Competition and Non-Solicitation. During the Company's employment of Consultant and for a period of two (2) years following the term of the Consulting Agreement, Consultant shall not assist, become employed by or engage in any consulting or other services for any person or entity that is engaged in any business or other activity in competition with the Company, nor solicit or entice any of the Company's employees to do any of the foregoing. During the Company's employment of Consultant and for a period of two (2) years following the term of the Consulting Agreement, Consultant shall not set up or take preliminary steps to set up or engage in any business enterprise that would be in competition with the Company and Consultant shall disclose to the Company, any and all competitive plans that Consultant may have, without regard to Consultant's intent to act or not act on such plans.

6. Fiduciary Obligations. Nothing in this Agreement is intended to limit Consultant's obligations to Company in any capacity, and Consultant shall be bound by all fiduciary and other obligations to Company which may arise by reason of Consultant's employment, capacity or other duties to the Company.

7. Injunctive Relief. Due to the unique nature of the Confidential Information, Consultant understands and hereby agrees that Company will suffer irreparable harm in the event that Consultant fails to comply with any of Consultant's obligations under Section 2 or 3 above and that monetary damages will be inadequate to compensate Company for such breach. Accordingly, Consultant hereby agrees that Company will be entitled, in addition to any other remedies available to it at law or in equity, to injunctive relief to enforce the terms of Sections 2 and 3 above.

8. Amendments; Consents. No amendment, modification, supplement, termination or waiver of any provision in this Agreement, and no consent to any departure therefrom, shall be effective unless in writing and signed by both Consultant and Company and then only in the specific instance and for the specific purpose given.

9. Notice. Any notices required or permitted to be given in writing and will be deemed received when personally delivered or, if earlier, ten (10) days after mailing by registered or certified United States mail, postage prepaid, and with return receipt requested. Notice to the Company is valid if sent to the Company's principal place of business and notice to Consultant is valid if sent to Consultant at Consultant's address as it appears in the Company's records.

10. Counterparts. This Agreement may be executed in any number of counterparts, each of which shall be deemed to be an original, and all such counterparts when taken together shall be deemed to be but one and the same instrument.

11. Binding Effect; Assignment. This Agreement shall be binding upon and inure to the benefit of Consultant and Company and their respective permitted successors and assigns. This Agreement, including the rights and obligations hereunder, shall not be assigned or transferred by Consultant without the prior written consent of Company.

12. Integration; Construction. This Agreement (together with the Consulting Agreement) shall comprise the complete and integrated agreement of the Company and Consultant and shall supersede all prior agreements, written or oral, on the subject matter hereof. Neither party hereto shall have a provision construed against it by reason of such party having drafted the same.

13. Governing Law. This Agreement shall be governed by, and construed and enforced in accordance with, the laws of the State of California.

14. Severability of Provisions. Any provision in this Agreement that is held to be inoperative, unenforceable or invalid in any jurisdiction shall be, as to that jurisdiction only, inoperative, unenforceable or invalid without affecting the remaining provisions in that jurisdiction or the operation, enforceability or validity of those provisions in any other jurisdiction, and to this end the provisions of this Agreement shall be severable.

15. Headings. Headings of this Agreement are included for convenience only and shall not be considered a part of this Agreement for any other purpose.

16. Attorneys' Fees. In the event of any litigation or other dispute arising as a result of or by reason of this Agreement, the prevailing party in any such litigation or other dispute shall be entitled to, in addition to any other damages assessed, its reasonable attorneys' fees, and all other costs and expenses incurred in connection with settling or resolving such dispute. The attorneys' fees which the prevailing party is entitled to recover shall include fees for prosecuting or defending any appeal and shall be awarded for any supplemental proceedings until the final judgment is satisfied in full. In addition to the foregoing award of attorneys' fees to the prevailing party, the prevailing party in any lawsuit on this Agreement shall be entitled to its reasonable attorneys' fees incurred in any post judgment proceedings to collect or enforce the judgment. This attorneys' fees provision is separate and several and shall survive the merger of this Agreement into any judgment.

17. Waiver; Rights and Remedies. Neither Consultant's nor Company's failure to exercise any right under this Agreement shall constitute a waiver of any other term or condition of this Agreement with respect to any other preceding, concurrent or subsequent breach, nor shall it constitute a waiver by the Company or Consultant of its rights at any time thereafter to require exact and strict compliance with any of the terms of this Agreement. The rights and remedies set forth in this Agreement shall be in addition to any other rights or remedies which may be granted by law.

(Signature page follows)

Save the World Air, Inc.

IN WITNESS WHEREOF, the parties hereto have executed or caused their respective duly authorized officer to execute this Agreement as of the date first set forth above.

SAVE THE WORLD AIR, INC.

By /s/ EUGENE E. EICHLER
Eugene E. Eichler
Its Chief Operating Officer

CONSULTANT

By /s/ JOHN KOSTIC
Name John Kostic
Address:

ANNEX C CONSULTANT'S COMPENSATION

Pursuant to Section 6 of the Agreement to which this Annex is attached, and into which the provisions of this Annex are incorporated, and subject to the terms and conditions contained in the Agreement, the Company shall pay and deliver to Consultant the following:

(a) *Consulting Fees*. The Company shall pay Consultant compensation equal to AU$6,000 per month, payable semi-monthly in accordance with the Company usual payroll practices. Such consulting fees shall be payable to Consultant by no later than the twenty-fifth (25th) day of each calendar month, provided the Company shall have received from Consultant (i) a reasonably detailed accounting of consulting services rendered by Consultant during the immediately preceding month by no later than the fifth day of the calendar month, together with (ii) any supporting documentation for such accounting as the Company may reasonably request from Consultant by no later than five Business Days following the date of such request. The term *"Business Day"* as used herein shall mean any day other than a Saturday, Sunday or a day on which banks in Los Angeles, California are authorized or required to be closed.

(b) *Equity Incentives.* Subject to compliance with applicable securities laws, the Company shall grant and/or issue to Consultant Common stock awards for 200,000 shares of Company common stock, as follows:

Type of shares:	Common Stock.	
Number of shares:	Grant 1:	100,000
	Grant 2:	100,000
Award vesting:		
Grant 1:	On the first anniversary of this Agreement	
Grant 2:	On the second anniversary of this Agreement.	
Other:	Upon vesting of Grant 1 or Grant 2, the Company shall promptly deliver stock certificates to Consultant evidencing the number of shares having then vested. Consultant must be engaged or employed by the Company at the time of the award; *provided* that the award shall vest automatically if Consultant is terminated without cause prior to expiration of the term of the Agreement. The Company shall provide Consultant with a separate "Notice of Stock Grant."	

(c) *Other Incentives*. The Company shall pay and/or provide to Consultant the following:

A royalty of US$0.10 per unit or ZEFS device sold by the Company (after allowance for any returns and return reserves). The royalty shall be payable 30 days after the close of each quarter in arrears.

Royalties shall be payable 30 days after the close of each quarter in arrears.

EXHIBIT 10.23

CONSULTING AGREEMENT

This Consulting Agreement *("Agreement")* is made effective and entered into as of October 1, 2004; by and between Save the World Air, Inc., a Nevada corporation (the *"Company"),* and John Fawcett *("Consultant"),* with reference to the following facts:

RECITALS

A. The Company has developed proprietary technologies for reducing harmful emissions from fuel combustion engines and improving fuel efficiency, among other benefits. The development of these proprietary technologies and enhancements to them, as well as the anticipated manufacturing, distribution and sale of products derived from them, are sometimes referred to below as the Company's "Business." The Company's current products are known as the *ZEFS* device, as described in the Company's patent applications which are pending in various countries (the *"ZEFS Product").* The Company is currently engaged in research and development for next-generation products and enhancements for use with diesel engines *("Diesel Product"),* multiport or muitipoint electronic fuel injection *("EFI Product"),* each of which may consist of a device that is attached to an engine or to a component that is attached to the engine or a technology that is incorporated into an engine or a component attached to an engine. The ZEFS Products, Diesel Products and EFI Products are sometimes referred to collectively in this Agreement as the *"Products."*

B. The parties hereto anticipate that the Products will be based on the ZEFS Product or new technologies developed pursuant to this Agreement and certain related consulting agreements being entered into between the Company and certain others who are part of the Company's R&D team.

C. The Company desires to engage the services of Consultant to assist the Company in research and development, including without limitation, prototype testing and making available certain Consultant facilities and Consultant employees, and to provide other services and assistance to the Company in matters relating to the Company's business, as they may arise from time to time, upon the terms and conditions contained herein.

D. Consultant desires to provide services to the Company upon the terms and conditions contained herein.

E. This Agreement renews and supersedes the Consulting Agreement, dated as of December 1, 2001, between the Company and the Consultant.

NOW THERFORE, the Company and Consultant hereby mutually agree as follows:

(a) *Scope of Services to Be Provided.* Consultant shall provide to the Company, on an as needed basis, assistance, advice and support relating to the Company's business, including prototype testing and making available certain Consultant facilities and Consultant employees, as the Company may request from time to time, including no less than thirty prototype tests. Without limiting the generality of the foregoing, Consultant shall keep and maintain such procedures as may be customary and appropriate and as may be specified by the Company to

protect, maintain and keep confidential any proprietary or confidential information of the Company, including without limitation all know how and information that may constitute a trade secret or otherwise confer strategic or competitive advantages to the Company, by use of passwords, locked cabinets, identification of such information and materials as *"Confidential"* and other limits on access as may be customary or appropriate or set forth in Company policies.

Section 2. *Non-Disclosure Obligations*. Concurrently with the parties' execution of this Agreement, Consultant shall execute and deliver to the Company the Confidentiality Agreement attached hereto as *Annex B* (the *"Confidentiality Agreement"),* the provisions of which are incorporated herein by this reference.

Section 3. *Consultant's Representations and Covenants*. Consultant represents, warrants and covenants to the Company that:

(a) Consultant shall devote such time, energy, interest; ability, and skill as may be fairly and reasonably necessary ±o provide to the Company the services described in Section 1 above.

(b) Consultant shall not, during the term of this Agreement, directly or indirectly, promote, participate, or engage in any business activity that would materially interfere with the performance of Consultant's duties under this Agreement or which is competitive with the Company's or any Company Affiliate's business; including, without limitation, any involvement as a shareholder, director, officer, employee, partner, joint venturer, consultant, advisor, individual proprietor, lender, or agent of any business, without the prior written consent of the Company. The term *"Affiliate"* shall mean, with respect to any person or entity, any other person or entity which, directly or indirectly through one or more intermediaries, is in control of, is controlled by or is under common control with, such person or entity. *"Control of" "controlled by"* and *"under common control with"* mean the possession, directly or indirectly, of the power to direct or cause the direction of the management policies of a person or entity, by contract or credit arrangement, as trustee or executor; or otherwise. The term "Affiliate" includes, but is not limited to, each and every subsidiary of the Company.

(c) During the term of this Agreement and for a period of one year after the termination of this Agreement, Consultant shall not solicit. attempt to solicit, or cause to be solicited any customers of the Company for purposes of promoting or selling products or services which are competitive with those of the Company, nor shall Consultant solicit, attempt to solicit. or cause to be solicited any employees, agents, or other independent contractors of the Company to cease their relationship with the Company.

(d) Consultant does not nave any agreements with or other person or entity which conflict with any of Consultant's obligations to the Company arising under this Agreement.

(e) Consultant shall maintain any and a11 licenses and permits as may be required for Consultant to provide the consulting services contemplated hereby. In the event Consultant shall utilize the services or shall require any products in order to render the consulting services or shall acquire any products in order to render the consulting services contemplated hereby, Consultant shall solely be responsible for the payment

for such services and products, except to the extent reimbursable by the Company in accordance with Section 7 below. Consultant shall be solely responsible for any and a11 income and other taxes that may be due to any state, local or federal governmental authorities in respect of the compensation to Consultant pursuant to this Agreement. Consultant acknowledges that the Company shall not make any withholdings from payments to Consultant hereunder.

(f) Except upon the express written consent of the Company, Consultant shall have no authority, and shall not represent, suggest or imply that Consultant has the authority, express or implied: (1) to bind the Company to any agreements or arrangements, written or oral; (2) to make an offer or accept an offer on behalf of the Company; or (3) to make representations, warranties, guaranties, commitments or covenants on behalf of Company.

Section 4. *Ownership.*

(a) The compensation payments set forth herein shall be full and complete compensation both for all obligations assumed by Consultant hereunder and for any and ail Creations (as defined in the Confidentiality Agreement) assigned under this Agreement.

(b) The Company shall retain the exclusive right to use or distribute, at its sole discretion, any and all Creations. Consultant shall make no claim on any consideration received by the Company for the sale, lease or use of the Creations.

(c) The Company shall include Consultant's profile on its Company website with other members of the R&D team and may include such information as it deems appropriate in the Company's Product and marketing materials.

Section 5. *Term.* This Agreement shall terminate on October 31, 2006, unless earlier terminated in accordance with this Section 5. In addition, this Agreement shall terminate automatically upon the death of Consultant, or the mental or physical incapacity of Consultant for a period of 60 consecutive days. Either party hereto may terminate this Agreement upon a material breach of this Agreement by the other party; and the Company may terminate this Agreement upon a material breach of the Confidentiality Agreement by Consultant.

Section 6. *Compensation.* Consultant's compensation for his consulting services hereunder shall be as set forth on *Annex C* hereto.

Section 7. *Reimbursement of Business Expenses. To* the extent Consultant is authorized by the Company to order equipment and supplies or mane other expenditures, to carry out Consultant's duties hereunder, the Company shall reimburse Consultant far the actual costs thereof, subject to receipt of such documentation and other information as the Company may reasonably request or require in accordance with its policies, and subject further to any limitations on the amount that Consultant may be authorized to incur in ordering such equipment supplies or making other expenditures on the Company's behalf. Reimbursement for each qualifying expense shall be made on the last day of the calendar month following the month in which a receipt for payment by Consultant of such expense item and any and all other documentation which the company may reasonably require regarding the expense item was submitted to the company.

Section 8. *Independent Contractor.* Consultant shall be retained by the Company only for the purposes and to the extent set forth in this Agreement, and his relation to the Company, during the term of this Agreement; shall be that of an independent contractor. Consultant shall not be considered as having an employee status.

Section 9. *Injunctive Relief.* Remedies at law shall be deemed to be inadequate for any breach of any of the covenants of this Agreement, and the Company shall be entitled to injunctive relief in addition to any other remedies it may have in the event of such breach.

Section 10. *Amendments; Consents. No* amendment, modification; supplement, termination, or waiver of any provision in this Agreement, and no consent to any departure therefrom, shall be effective unless in writing and signed by both Consultant and the Company and then only in the specific instance and for the specific purpose given.

Section 11. *Notices.* Any notices required or permitted to be given in writing will be deemed received when personally delivered or, if earlier, ten (10) days after mail registered or certified United States mail, postage prepaid, and return receipt requested. Notice to the Company is valid if sent to the Company's principal place of business and notice to Consultant is valid if sent to Consultant at Consultant's address as it appears in the Company's records. The Company or Consultant may change their address only by notice given to the other in the manner set forth herein.

Section 12. *Counterparts; Facsimile Signatures. This* Agreement may be executed in two or more counterparts, and the counterparts, taken together, shall constitute one original. Executed copies of this Agreement and any amendments or modifications thereto may be delivered by facsimile transmission in lieu of an original.

Section 13. *Binding Effect; Assignment.* This Agreement shall be binding upon and inure to the benefit of Consultant and the Company and their respective permitted successors and assigns. This Agreement, including the rights and obligations hereunder, shall not be assigned, delegated or

Section 14. *Integration; Construction.* This Agreement (together with the appendices thereof shall comprise the complete and integrated agreement of the Company and Consultant and shall supersede all prior agreements; written or oral, on the subject matter hereof, Neither party hereto shall have a provision construed against it by reason of such party having drafted the same. Transferred by Consultant without the prior written consent of the Company.

Section 15. *Survival.* The rights and obligations provided in Section 3(b), Section4, Section 9, Section 13, Section 19 and paragraph (a) of Annex C hereto shall survive termination of this Agreement.

Section 16. *Governing Law*. This Agreement shall be governed by, and construed and enforced in accordance with, the laws of the State of California.

Section 17. *Severability of Provisions*. Any provisions in this Agreement that is held to be operative, enforceable, or invalid in any jurisdiction shall be, as that jurisdiction only, inoperative, unenforceable, or invalid without affecting the remaining provisions that

jurisdiction or the operation, enforceability, or validity of those provisions in any other jurisdiction, and to this end the provisions of this Agreement shall be severable.

Section 18. *Headings*. Headings of this Agreement are included for convenience only and shall not be considered a part of this Agreement for any other purpose.

Section 19. *Attorneys' Fees*. In the event of any litigation or other dispute arising as a result of or by reason of this Agreement, the prevailing party in any such litigation or other dispute shall be entitled to, in addition to any other damages assessed, its reasonable attorneys' fees, and all other costs and expenses incurred in connection with settling or resolving such dispute. The attorneys' fees which the prevailing party is entitled to recover shall include fees for prosecuting or defending any appeal and shall be awarded for any supplemental proceedings until the final judgment is satisfied in full. In addition to the foregoing award of attorneys' fees to the prevailing party, the prevailing party in any lawsuit on this Agreement shall be entitled to its reasonable attorneys' fees incurred in any post judgment proceedings to collect or enforce the judgment. This attorneys' fees provision is separate and several and shall survive the merger of this Agreement into any judgment.

Section 20. *Waiver; Rights and Remedies*. Neither Consultant's nor the Company's failure to exercise any right under this Agreement shall constitute a waiver of any other term or condition of this Agreement with respect to any other preceding, concurrent, or subsequent breach, nor shall it constitute a waiver by the Company or Consultant of its rights at any time thereafter to require exact and strict compliance with any of the terms of this Agreement. The rights and remedies set forth in this Agreement shall be in addition to any other rights or remedies which may be granted by law.

(signature page follows)

IN WITNESS WHEREOF, the parties hereto have executed or caused their respective duly authorized officer to execute this Agreement as of the date first set forth above.

CONSULTANT

By /s/ John B. Fawcett
Name: John B. Fawcett

SAVE THE WORLD AIR, INC.

By **/s/** Eugene E. Eichler
Name: Eugene E. Eichler
Title: President

ANNEX A
CONSULTANT'S DUTIES AND RESPONSIBILITIES

- Making available facilities and personnel in order to design, develop and test new configurations and units.
- Assist in preparatory reports to the Company in relation to the ZEFS and other devices.

ANNEX B

CONFIDENTIALITY AGREEMENT

(To be attached)

CONFIDENTIALITY AGREEMENT

This Confidentiality Agreement {“Agreement"} which constitutes Annex B, is entered into by and between the individual whose name appears on the signature page of the related Consulting Agreement (“Consultant”), on the one hand, and Save the World, Air, Inc., a Nevada corporation (the “Company”), on the other, with reference to the following facts:

RECITALS

A. This Agreement is being entered into pursuant to that certain Consulting Agreement of even date herewith, between the Company and Consultant (“Consulting Agreement”).

B. The Company has retained the services of Consultant to conduct further research and development on a work-for-hire basis.

C. The Company desires to protect various proprietary and confidential information that it uses in its business.

Therefore, the parties hereto do hereby agree as follows:

1. Definition of Confidential Information.

(a) For the purposes of this Agreement, the term “Confidential Information” shall mean information, material and trade secrets (i) proprietary to the Company or to any Affiliate (as defined below) of the Company or {ii} designated as confidential by the Company, whether or not owned or developed by the Company, which Consultant may obtain knowledge of or access to, through or as a result of, Consultant’s relationship with the Company or with any Affiliate of the Company:

(b) Without limiting the generality of the foregoing, Confidential Information shall include, but is not limited to, the following types of information and other information of a similar nature {whether or not reduced to writing or still in development}:

(i) The “Technology,” which means:

(1) Any and all “Creations” as defined below; and

(2) any and all enhancements thereto,

(ii) Economic and financial analyses, marketing technique and materials, marketing and development plans, customer names and other information related to customers, price lists, pricing policies, financial information and consultant files.

(iii) Information constituting a “trade secret” as defined in California Civil Code Section 3426.1

(iv) Any information described above which the company obtains from another party and which the Company treats as proprietary and designates as

Confidential Information, whether or not owned or developed by the Company.

(c) The term "Creations" shall mean any and all discoveries, ideas, inventions, concepts; software in various states of development, designs, drawings, specifications, techniques, models, data, source code; object code, documentation, diagrams, flow charts, research, developments, processes, procedures, "know-how," any enhancements to the foregoing and Consultant's files that may be conceived or developed by Consultant, either alone or with others, during the term of this Agreement, whether or not conceived or developed during Consultant's working hours; that relate to the Products or the Company's Business (each as defined in the Consulting Agreement) or to the Company's actual or demonstrably anticipated research and development, or that result from any services rendered by Consultant for the Company.

(d) The term "Affiliate" shall mean, with respect to any person or entity, any other person or entity which, directly or indirectly through one or more intermediaries, is in control of, is controlled by or is under common control with such person or entity. "Control of, "controlled by" and "under common control with" mean the possession, directly or indirectly, of the power to direct or cause the direction of the management policies of a person or entity, by contract or credit arrangement; as trustee or executor or otherwise. The term "Affiliate" includes, but is not limited to, each and every subsidiary of the Company, if any.

(e) INFORMATION PUBLICLY KNOWN THAT IS GENERALLY EMPLOYED BY THE TRADE AT OR AFTER THE TIME CONSULTANT FIRST LEARNS OF SUCH INFORMATION, OR GENERIC INFORMATION OR KNOWLEDGE WHICH CONSULTANT WOULD HAVE LEARNED IN THE COURSE OF SIMILAR SERVICES OR EMPLOYMENT ELSEWHERE N THE TRADE, SHALL NOT BE DEEMED PART OF THE CONFIDENTIAL INFORMATION.

(f) Any capitalized terms used and not otherwise defined herein shall have the meanings, if any, ascribed to them in the Consulting Agreement.

2. Confidential Treatment. Consultant hereby agrees, during the term of his consulting arrangement with Company and at all times thereafter, to hold in confidence and not to directly or indirectly reveal, report, publish, disclose or transfer any of the Confidential Information to any person or entity, or utilize any of the Confidential Information for any purpose, except in the course of Consultant's services for Company, without the prior written consent of the chief executive officer of Company. Consultant agrees that, as between Consultant and Company, Company owns all of the Confidential Information, and Consultant hereby agrees to regard and preserve as confidential all Confidential Information. Consultant hereby agrees not to take, retain or copy, without the prior written consent of the chief executive officer of Company; any or all of the Confidential information. Without limiting the foregoing, during the term hereof and after termination of Consultant's employment wit Company, Consultant shall riot use, build, reverse-engineer, decompile, modify for use or disassemble of the Technology.

3. Ownership. The Technology including without limitations any and all Creations shall be the sole and exclusive property of the Company. At any time upon the request of the Company, Consultant shall: (i) assign, without charge to the Company, all his rights, title, and interests in any of the Creations of the Company; (ii) execute, acknowledge, and deliver any and all instruments

necessary to confirm the Company's complete ownership and creations; and (iii) perform all other reasonable acts which may be necessary to perfect and to protect the Company's ownership rights in the Creations. Consultant hereby assigns to the Company a11 of his right, title and interest in and to the Creations. Consultant shall disclose promptly and only to the Company, and shall make an adequate record of, any and all Creations conceived or developed by Consultant (either alone or jointly with others) during the term of this Agreement and within one year thereafter, whether or not the property of the Company.

4. Return of Materials and Copies. All notes, data, reference materials, sketches, drawings, memoranda, documentation and records in any way incorporating or reflecting any of the Confidential Information and all proprietary rights therein, including copyrights, shall belong exclusively to Company, and Consultant hereby agrees to turn over promptly a11 copies of such materials in Consultant's control to Company upon Company's request or upon termination of Consultant's employment by Company.

5. Non-Competition and Non-Solicitation. During the Company's employment of Consultant and for a period of two (2) years following the term of the Consulting Agreement, Consultant shall not assist, become employed by or engage in any consulting or other services for any person or entity that is engaged in any business or other activity in competition with the Company, nor solicit or entice any of the Company's employees to do any of the foregoing. During the Company's employment of Consultant and for a period of two (2) years following the term of the Consulting Agreement, Consultant shall not set up or take preliminary steps to set up or engage in any business enterprise that would be in competition with the Company and Consultant shall disclose to the Company, any and all competitive plans that Consultant may have, without regard to Consultant's intent to act or not act on such plans.

6. Fiduciary Obligations. Nothing in this Agreement is intended to limit Consultant's obligations to Company in any capacity, and Consultant shall be bound by all fiduciary and other obligations to Company which may arise by reason of Consultant's employment, capacity or other duties to the Company.

7. Injunctive Relief. Due to the unique nature of the Confidential Information; Consultant understands and hereby agrees that Company will suffer irreparable harm in the event that Consultant fails to comply with any of Consultant's obligations under Section 2 or 3 above and that monetary damages will be inadequate to compensate Company for such breach. Accordingly, Consultant hereby agrees that Company will be entitled, in addition to any other remedies available to it at law or in equity, to injunctive relief to enforce the terms of Sections 2 and 3 above.

8. Amendments; Consents. No amendment, modification, supplement, termination or waiver of any provision in this Agreement, and no consent to any departure therefrom, shall be effective unless in writing and signed by both Consultant and Company and then only in the specific instance and for the specific purpose given.

9. Notice. Any notices required or permit deemed received when personally delivered or, if earlier, ten (10) days after mailing by registered or certified United States mail; postage prepaid, and with return receipt requested. Notice to the Company is valid if sent to the Company's principal place of business and notice to Consultant is valid if sent to Consultant at Consultant's address as it appears in the Company's records.

10. Counterparts. This Agreement may be executed in any number of counterparts, each of which shall be deemed to be an original, and all such counterparts when taken together shall be deemed to be one and the same instrument.

11. Binding Effect; Assignment. This Agreement shall be binding upon and inure to the benefit of Consultant and Company and their respective permitted successors and assigns. This Agreement, including the rights and obligations hereunder, shall not be assigned or transferred by Consultant without the prior written consent of Company.

12. Integration; Construction. This Agreement (together with the Consulting Agreement) shall comprise the complete and integrated agreement of the Company and Consultant and shall supersede all prior agreements, written or oral, on the subject matter hereof. Neither party hereto shall have a provision construed against it by reason of such party having drafted the same.

13. Governing Law. This Agreement shall be governed by, and construed and enforced in accordance with, the laws of the State of California.

14. Severability of Provisions. Any provision in this Agreement that is held to be inoperative, unenforceable or invalid in any jurisdiction shall be, as to that jurisdiction only, inoperative, unenforceable or invalid without affecting the remaining provisions in that jurisdiction or the operation, enforceability or validity of those provisions in any other jurisdiction, and to this end the provisions of this Agreement shall be severable.

15. Headings. Headings of this Agreement are included for convenience only and shall not be considered a part of this Agreement for any other purpose.

16. Attorneys' Fees. In the event of any litigation or other dispute arising as a result of or by reason of this Agreement, the prevailing party in any such litigation or other dispute shall be entitled to, in addition to any other damages assessed, its reasonable attorneys' fees, and all other costs and expenses incurred in connection with settling or resolving such dispute. The attorneys' fees which the prevailing party is entitled to recover shall include fees for prosecuting or defending any appeal and shall be awarded for any supplemental proceedings until the final judgment is satisfied in full. In addition to the foregoing award of attorneys' fees to the prevailing party, the prevailing party in any lawsuit on this Agreement shall be entitled to its reasonable attorneys' fees incurred in any past judgment proceedings to collect or enforce the judgment. This attorneys' fees provision is separate and several and shall survive the merger of this Agreement into any judgment.

17. Waiver; Rights and Remedies. Neither Consultant's nor Company's failure to exercise any right under this Agreement shall constitute a waiver of any other term or condition of this Agreement with respect to any other preceding, concurrent or subsequent breach, nor shall it constitute a waiver by the Company or Consultant or its rights at any time thereafter to require exact and strict compliance with any oil the terms of this Agreement. The rights and remedies set forth in' his Agreement shall be in addition to any other rights or remedies which may be granted by law.

IN WITNESS WHEREOF, the parties hereto have executed or caused their respective duly authorized officer to execute this Agreement as of the date first set forth above.

SAVE THE WORLD AIR, INC.

By /s/ EUGENE E. EICHLER
Its President

CONSULTANT

By /s/ JOHN B. FAWCETT
Name *John B. Fawcett*
Address 22146 Placeritos Bl
Newhall, CA 91521

ANNEX C

CONSULTANT'S COMPENSATION

Pursuant to Section 6 of the Agreement to which this Annex is attached, and into which the provisions of this Annex are incorporated, and subject to the terms and conditions contained in the Agreement, **the Company shall** pay and deliver to Consultant the following:

(a) *Equity Incentives.* Subject to compliance with applicable securities laws, the Company shall issue to Consultant Common stock awards for an aggregate of 65,000 shares of Company common stock, as follows:

Type of *shares:*	Common Stock.
Number of *shares:*	*65,000*

Exhibit 10.24

ADVISORY SERVICES AGREEMENT

This Advisory Services Agreement (this "**Agreement**") is made and entered into as of this 7th day of July, 2003 by and between **Save the World Air, Inc.**, a Nevada corporation (the "**Company**") and **Kevin Charles Hart , also known as "Pro Hart"** ("**Advisor**"), with reference to the following facts.

RECITALS

A. The Company has certain rights to a proprietary technology (the **"Technology**") for a product known as the Zero Emissions Fuel Saving device ("**ZEFS Device**") that is intended to be used on motor vehicles to reduce pollution and improve fuel efficiency. The Company desires to further develop the Technology and market and sell the ZEFS Device.

B. Advisor is a famed Australian artist and inventor of the ZEFS Device. The Company desires to engage Advisor, and Advisor desires to serve the Company, in an advisory capacity on and subject to the terms of this Agreement.

THEREFORE, the Company and Advisor hereby agree as follows:

Section 1. Scope of Services Provided.

1.1 Advisor shall provide advice, counsel and support to the Company's Board of Directors and management on an as-needed basis, by telephone or in person, in matters relating to the Company's business, including product development, marketing and promotion, and other matters concerning the ZEFS Device as the Company may reasonably request from time to time during the term of this Agreement. Advisor also agrees to serve on the "Advisory Board" which shall report to the Company's Board of Directors.

1.2 Advisor agrees to appear at not less than two events per year during the term of this Agreement subject to Advisor's prior commitments, schedule and availability, and at such other times as may be mutually agreed, to assist and support the Company in promoting the ZEFS Device.

Section 2. Compensation; Expenses.

2.1 As soon as practicable following the parties execution of this Agreement, the Company shall issue to Advisor 50,000 shares of the Company's common stock, par value $.001 per share (the "Stock"). The Stock shall be deemed to have a value of $.001 per share. Advisor shall execute and deliver to the Company a subscription agreement substantially in the form attached hereto in Annex A, the provisions of which are incorporated herein by this reference.

2.2 The Company shall reimburse Advisor for all reasonable and necessary out-of-pocket expenses incurred by Advisor in performing the services requested by the Company hereunder, including without limitation travel, meals, accommodations and phone charges, subject to Advisor's presentation to the Company of receipts for such charges, in accordance with the Company's practices and policies as adopted or approved from time to time.

Section 3. Non-Disclosure Obligations.

Advisor acknowledges that the Technology is proprietary and agrees to execute a standard confidentiality agreement substantially in the form attached hereto in Annex B, the provisions of which are incorporated herein by this reference.

Section 4. Use of Advisor's Name and Likeness.

4.1 The Company will not use Advisor's name or likeness in any advertising or marketing/promotional material without Advisor's prior written approval or consent, to be given or refused in the Adviser's absolute discretion.. Except as may be expressly agreed to by the parties hereto in writing, the Company shall acquire no ownership or rights in or to Advisor's name or likeness that by its use or incorporation in any company advertising or promotional materials other than the right to use, duplicate and distribute such name or likeness as and to the extent to which Advisor may have previously consented.

4.2 The Company may identify Advisor as member of the Company's Advisory Board and may make such disclosures as may be necessary or advisable to comply with federal securities laws, including without limitation disclosures in filings with the Securities and Exchange Commission or press releases as to: (1) the terms of this Agreement; (2) the appointment of Advisor to the Company's Advisory Board; and (3) Advisor's Stock ownership.

Section 5. Miscellaneous Provisions.

5.1 Term. The initial term of this Agreement is one year from the effective date of this Agreement. This Agreement shall renew automatically from year to year unless terminated by either party by giving the other not less than thirty (30) days' prior written notice of its election to terminate this Agreement.

5.2 Counterparts. This Agreement may be executed in any number of counterparts, each of which shall be deemed to be an original, and all such counterparts when taken together shall be deemed to be but one and the same instrument.

5.3 Governing Law. This Agreement shall be governed by, and construed and enforced in accordance with, the laws of the State of California.

IN WITNESS WHEREOF, the parties hereto have executed or caused their respective duly authorized officer to execute this Agreement as of the date first set forth above.

ADVISOR

By: /s/ K.C. HART
Kevin Charles Hart

SAVE THE WORLD AIR, INC.

By: /s/ EUGENE E. EICHLER
Name: Eugene E. Eichler
Title: Chief Financial Officer

ANNEX A

SUBSCRIPTION AGREEMENT

SAVE THE WORLD AIR, INC.

The undersigned hereby proposes to acquire Common Stock of Save the World Air, Inc., a Nevada corporation (the "Company"). .

The undersigned understands that the shares of Common Stock are being offered and sold without registration under the Securities Act of 1933, as amended (the "Act"), in reliance upon the private placement exemption contained in Sections 4(2) and 4(6) of the Act, and Regulation. D promulgated thereunder, and that such reliance ~s based on the undersigned's representations set forth below.

To induce the Company to accept this subscription and issue and deliver the Common Stock, the undersigned agrees, warrants, and represents as follows:

1. This offer is irrevocable and subject to acceptance or rejection by the Company in its sole discretion.

2. The undersigned is acquiring the Common Stock for investment for his or her own account, and not with a view toward distribution thereof, and with no present intention of dividing his or her interest with others or reselling or otherwise disposing of all or any portion of the Common Stock. The undersigned has not offered or sold a participation in this purchase of Common Stock, and will not offer or sell the Common Stock or interest therein or otherwise, in violation of the Act. The undersigned further acknowledges that he or she does not have in mind any sale of the Common Stock currently or after the passage of a fixed or determinable period of time or upon the occurrence or non-occurrence of any predetermined events or consequence; and that he or she has no present or contemplated agreement, undertaking, arrangement, obligation, indebtedness or commitment providing for or which is likely to compel a disposition of the Common Stock and is not aware of any circumstances presently in existence that are likely in the future to prompt a disposition of the Common Stock.

3. The undersigned acknowledges that the shares of Common Stock have been offered to him or her in direct communication between himself or herself and the Company or through registered broker-dealers and not through any advertisement of any kind.

4. The undersigned acknowledges that he or she has read all the materials included in the Executive Summary and Exhibits thereto and has had access to all of the Company's filings with the Securities and Exchange Commission under the Securities Exchange Act of 1934, as amended, that the Company has not timely filed its annual report of Form 10-KSB nor does it have current audited financial statements, that the offer and sale of Common Stock to the undersigned were based on the representations and warranties of the undersigned in this Subscription Agreement, and acknowledges that he or she has been encouraged to seek his or her own legal and financial counsel to assist him or her in evaluating this investment. The undersigned acknowledges that the Company has given him or her and all of his or her counselors access to all information relating to the Company's business that they or anyone of them has' requested. The undersigned acknowledges that he or she has sufficient knowledge, financial and business experience concerning the affairs and conditions of the Company so that he or she can make a reasoned decision as to this investment in the Company and is capable of evaluating the merits and risks of this investment. Based on the foregoing, the undersigned hereby agrees to indemnify the Company thereof and to hold each of such persons and entities, 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 such warranties of the undersigned, or arising as a result of the sale or distribution of the Common Stock by the undersigned in violation of the Act, the Securities Exchange Act of 1934, as amended, or any

other applicable law, either federal or state. This subscription and the representations and warranties contained herein shall be binding upon the heirs, legal representatives, successors and assigns of the undersigned.

5. The undersigned acknowledges that he or she is able to bear, and understands, the economic risks of the proposed investment and all other risks of the Company's business.

The undersigned represents that he or she is:

(a) An Accredited Investor, as that term is defined by Regulation D of the Securities and Exchange Commission, which means any investor meeting at least one of the following conditions:

(i) Any natural person whose individual net worth (or joint net worth with that person's spouse, if applicable) at the time of purchase exceeds $1,000,000; or

(ii) Any natural person who had an individual income in excess of $200,000 or joint income with that person's spouse in excess of 5300,000 in each of the two most recent years and who reasonably expects an income in excess of 5200,000 or joint income with that person's spouse in excess of $300,000 in the current year; or

(iii) Any other Accredited Investor as that term is defined in Regulation D as adopted by the Securities and Exchange Commission.

6. (a) The undersigned is aware of the restrictions of transferability of the Common Stock and further understands and acknowledges that any certificates evidencing the Common Stock will bear the following legends, to which such interests will be subject:

THE SHARES EVIDE:\CED BY THIS CERTIFICATE HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AMENDED, OR QUALIFIED FOR SALE UNDDER ANY STATE SECURITIES LAWS (COLLECTIVELY, "SECURITIES LA W5") A:\D MAY NOT BE OFFERED, SOLD OR OTHERWISE TRANSFERRED UNLESS REGISTERED OR QUALIFIED FOR SALE UNDER ALL APPLICABLE SECVRITIES LAWS OR UNLESS, IN THE OPINION OF COUNSEL SATISFACTORY TO THE ISSUER, IN FORM AND SUBSTANCE SATISFACTORY TO THE ISSUER. ANY SUCH OFFER. SALE OR OTHER TRANSFER IS EXEMPT FROM THE REGISTRATION OR QUALIFICATION REQUIREMENTS OF SUCH SECURITIES LAWS.

(b) The undersigned understands that following the purchase of the Common Stock, the Common Stock may only be disposed of pursuant to either (i) an effective registration statement under the Act, or (ii) an exemption from the registration requirements of the Securities Act of 1933.

(c) The Company has neither filed such a registration statement with the SEC or any state authorities nor agreed to do so, nor contemplates doing so in the future for this offering of Common Stock, and in the absence of such a registration statement or exemption, the undersigned may have to hold the Common Stock indefinitely and may be unable to liquidate them in case of an emergency.

(d) The undersigned acknowledges that the Company is not obligated and does not propose to furnish the undersigned with information necessary to enable it to be able to make sales under Rule 144 of the Securities Act of 1933.

7. The undersigned represents that he or she is a resident of _____ and makes the following representation:

I, THE UNDERSIGNED, REPRESENT THAT I HAVE A PRE-EXISTING PERSONAL OR BUSINESS RELATIONSHIP WITH THE CONIPANY, ANY OFFICER, DIRECTOR OR CONTROLLING PERSON THEREOF OR HAVE, THROUGH MYSELF OR THROUGH MY UNAFFILIATED PROFESSIONAL ADVISER, THE BUSINESS OR FINANCIAL EXPERIENCE TO PROTECT MY INTERESTS IN CONNECTION WITH MY SUBSCRIPTION HERETO.

FURTHER, I AM PURCHASING THE COMMON STOCK OFFERED HEREBY FOR INVESTMENT AND NOT WITH A VIEW TOWARD DISTRIBUTION THEREOF.

8. This Subscription Agreement has been delivered in, and shall be construed in accordance with the laws of the State of California. Subject to the provisions of the paragraph immediately following, any action in connection with this Subscription Agreement shall be brought in the appropriate state or federal court in and for the County of Los Angeles, State of California, which shall have exclusive jurisdiction over such action.

Executed as of this 30

day of July 2003

S

/s/ K.C. Hart

Signature of Subscriber

Kevin Hart

Print Name

****

* * * * ** * * * * * *

The above and foregoing Subscription accepted this 7th day of July 2003

Save the World Air, Inc.

a Nevada corporation

By: /s/ Eugene E. Eichler

Its: Chief Financial Officer

ANNEX B

Confidentiality Agreement

July 7, 2003

STRICTLY PRIVATE AND CONFIDENTIAL

BY FACSIMILE
Save the World Air, Inc.
29229 Canwood Street, Suite 206
Agoura Hills, California 91301

Attention: Eugene E. Eichler, Chief Financial Officer

Gentlemen:

In connection with the advisory services that you have asked me to provide to Save the World Air, Inc. (the "Company") as a member of its Advisory Board, I may be provided and/or have access to technical and other information concerning the Company and its proprietary technology (the "Technology") for a product known as the Zero Pollution-Fuel Saving Device ("ZERO Device") that can be used on motor vehicles to reduce pollution and improve fuel efficiency. As a condition to my being furnished such information, I agree to treat any information concerning the Technology (including without limitation all specifications, designs, processes, concepts, ideas, strategic plans, product development plans, research and development, information about the Company's operations, finances, reports, interpretations, forecasts and records, and any analyses, compilations, studies or other documents, whether prepared by the Company or others, that contain or reflect such information (collectively, the **"Confidential Information"**) in accordance with the provisions of this letter. The term **"Confidential Information"** does not include information which (a) was or becomes generally available to the public other than as a result of a disclosure by me or my agents or advisors, (b) was or becomes available to me on a non-confidential .basis from a source other than the Company or its advisors provided that such source is not bound by a confidentiality agreement with the Company, (c) was within my possession prior to its being furnished to me by or on behalf of the Company, provided that the source of such information was not bound by a confidentiality agreement with the Company in respect thereof.

By this letter, I agree that the Confidential Information will be used solely for the purposes in furtherance of my advisory services to the Company and will not be used by me in any way detrimental to the Company. I also agree that the Confidential Information will be kept confidential by me, my agents and employees; provided, however, that (i) any such information may be disclosed to my agents and employees who need to know such information for the purpose of providing the advisory services (it being understood that such persons shall be informed by me of the confidential nature of such information and shall be directed by me to treat such information confidentially and shall assume the same obligations as I under this letter) and (ii) any disclosure of such information may be made to which the Company consents in writing. I shall be responsible for any breach of this letter by my agents or employees.

I shall promptly redeliver to the Company all written material containing or reflecting any information contained in the Confidential Information (whether prepared by the Company or otherwise) if I choose not to proceed with the advisory services, and shall not retain any copies, extracts, or other reproductions in whole or in part of such written material. All documents, memoranda, notes, and other writings whatsoever, prepared by me or my advisors based on the information contained in the Confidential Information shall be destroyed, and such destruction shall be certified in writing to the Company by an authorized officer supervising such destruction.

In the event I am required by legal process to disclose any of the Confidential Information, I shall provide you with prompt notice of such requirement so that you may seek a protective order or other appropriate remedy or waive compliance with the provisions of this letter. In the event that a protective order or other remedy is obtained, I shall use all reasonable efforts to . assure that all Confidential Information disclosed will be covered by such order or other remedy. Whether such protective order or other remedy is obtained or we waive compliance with the provisions of this letter, I will disclose only that portion of the Confidential Information that I am legally required to disclose.

No failure or delay by the Company in exercising any right, power or privilege under this letter shall operate as a waiver thereof nor shall any single or partial exercise thereof preclude any other or further exercise of any right, power or privilege. If there should arise any conflict between the terms of this letter agreement and any other agreement concerning the advisory services, the provisions of this letter agreement shall control. This letter shall be governed by laws of California, U.S.A, in all respects. Any assignment of this letter by me without our prior written consent shall be void.

I certify that no Confidential Information, or any portion thereof, will be exported to any country in violation of the United States Export Administration Act and regulations thereunder. I hereby further certify that I am not a resident of any of the following countries: Iraq, Iran, Libya, North Korea, Syria, Laos, Mongolian People’s Republic, Cuba, Cambodia, North Korea, Nicaragua, or the People’s Republic of China.

* * *

Very truly yours,

/s/ K. C. Hart

Exhibit 10.25

ADVISORY SERVICES AGREEMENT

This Advisory Services Agreement (this "**Agreement**") is made and entered into as of this 26th day of February, 2004, by and between **Save The World Air, Inc.**, a Nevada corporation (the "**Company**") and **Sir Jack Brabham** ("**Advisor**"), with reference to the following facts.

RECITALS

A. The Company has certain rights to a proprietary technology (the **"Technology**") for a product known as the Zero Emissions Fuel Saving device ("**ZEFS Device**") that is intended to be used on motor vehicles to reduce pollution and improve fuel efficiency. The Company desires to further develop the Technology and market and sell the ZEFS Device.

B. Advisor is well known to the public and associated with Grand Prix automobile racing and products. The Company desires to engage Advisor, and Advisor desires to serve the Company, in an advisory capacity on and subject to the terms of this Agreement.

THEREFORE, the Company and Advisor hereby agree as follows:

Section 1. Scope of Services Provided.

1.1 Advisor shall provide advice, counsel and support to the Company's Board of Directors and management on an as-needed basis, by telephone or in person, in matters relating to the Company's business, including product development, marketing and promotion, and other matters concerning the ZEFS Device as the Company may reasonably request from time to time during the term of this Agreement. Advisor also agrees to serve on the "Board of Advisors" which shall report to the Company's Board of Directors.

1.2 Advisor agrees to appear at not less than two events per year during the term of this Agreement subject to Advisor's prior commitments, schedule and availability, and at such other times as may be mutually agreed, to assist and support the Company in promoting the ZEFS Device.

Section 2. Compensation; Expenses.

2.1 As soon as practicable following the parties execution of this Agreement, the Company shall issue to Advisor 50,000 shares of the Company's common stock, par value $.001 per share (the "Stock"). The Stock shall be deemed to have a value of $.001 per share. Advisor shall execute and deliver to the Company a subscription agreement substantially in the form attached hereto in Annex A, the provisions of which are incorporated herein by this reference.

2.2 The Company shall reimburse Advisor for all reasonable and necessary out-of-pocket expenses incurred by Advisor in performing the services requested by the Company hereunder, including without limitation travel, meals, accommodations and phone charges, subject to Advisor's presentation to the Company of receipts for such charges, in accordance with the Company's practices and policies as adopted or approved from time to time.

Section 3. Non-Disclosure Obligations.

Advisor acknowledges that the Technology is proprietary and agrees to execute a standard confidentiality agreement substantially in the form attached hereto in Annex B, the provisions of which are incorporated herein by this reference.

Section 4. Use of Advisor's Name and Likeness.

4.1 The Company will not use Advisor's name or likeness in any advertising or marketing/promotional material without Advisor's prior written approval or consent, which shall not be unreasonably withheld. Except as may be expressly agreed to by the parties hereto in writing, the Company shall acquire no ownership or rights in or to Advisor's name or likeness that by its use or incorporation in any company advertising or promotional materials other than the right to use, duplicate and distribute such name or likeness as and to the extent to which Advisor may have previously consented.

4.2 The Company may identify Advisor as member of the Company's Board of Advisors and may make such disclosures as may be necessary or advisable to comply with federal securities laws, including without limitation disclosures in filings with the U.S. Securities and Exchange Commission or press releases as to: (1) the terms of this Agreement; (2) the appointment of Advisor to the Company's Board of Advisors; and (3) Advisor's Stock ownership.

Section 5. Miscellaneous Provisions.

5.1 Term. The initial term of this Agreement is one year from the effective date of this Agreement. This Agreement shall renew automatically from year to year unless terminated by either party by giving the other not less than thirty (30) days' prior written notice of its election to terminate this Agreement.

5.2 Counterparts. This Agreement may be executed in any number of counterparts, each of which shall be deemed to be an original, and all such counterparts when taken together shall be deemed to be but one and the same instrument.

5.3 Governing Law. This Agreement shall be governed by, and construed and enforced in accordance with, the laws of the State of California.

IN WITNESS WHEREOF, the parties hereto have executed or caused their respective duly authorized officer to execute this Agreement as of the date first set forth above.

ADVISOR

By: /s/ JACK BRABHAM
Sir Jack Brabham

SAVE THE WORLD AIR, INC.

By: /s/ EUGENE E. EICHLER
Name: Eugene E. Eichler
Title: Chief Operating Officer

Annex A

SUBSCRIPTION AGREEMENT

SAVE THE WORLD AIR, INC.

The undersigned hereby proposes to acquire Common Stock of Save the World Air, Inc., a Nevada corporation (the "Company").

The undersigned understands that the shares of Common Stock are being offered and sold without registration under the Securities Act of 1933, as amended (the "Act"), in reliance upon the private placement exemption contained in Sections 4(2) and 4(6) of the Act, and Regulation D promulgated thereunder, and that such reliance is based on the undersigned's representations set forth below.

To induce the Company to accept this subscription and issue and deliver the Common Stock, the undersigned agrees, warrants, and represents as follows:

1. This offer is irrevocable until both parties execution and delivery of that certain Advisory Services Agreement to which this subscription is a part and is subject to acceptance or rejection by the Company in its sole discretion.

2. The undersigned is acquiring the Common Stock for investment for his or her own account, and not with a view toward distribution thereof, and with no present intention of dividing his or her interest with others or reselling or otherwise disposing of all or any portion of the Common Stock. The undersigned has not offered or sold a participation in this purchase of Common Stock, and will not offer or sell the Common Stock or interest therein or otherwise, in violation of the Act. The Undersigned further acknowledges that he or she does not have in mind any sale of the Common Stock currently or after the passage of a fixed or determinable period of time or upon the occurrence or non-occurrence of any predetermined events or consequence; and that he or she has no present or contemplated agreement, undertaking, arrangement, obligation, indebtedness or commitment providing for or which is likely to compel a disposition of the Common Stock and is not aware of any circumstances presently in existence that are likely in the future to prompt a disposition of the Common Stock.

3. The undersigned acknowledges that the shares of Common Stock have been offered to him or her in direct communication between himself or herself and the Company or through registered broker-dealers and not through any advertisement of any kind.

4. The undersigned acknowledges that he or she has read or has had access to all of the Company's filings with the Securities and Exchange Commission under the Securities Exchange Act of 1934, as amended, that the Company has not timely filed its annual report of Form 10-KSB nor does it have current audited financial statements, that the offer and sale of Common Stock to the undersigned were based on the representations and warranties of the undersigned in this Subscription Agreement, and acknowledges that he or she has been encouraged to seek his or her own legal and financial counsel to assist him or her in evaluating this investment. The undersigned acknowledges that the Company has given him or her and all of his or her counselors access to all information relating to the Company's business that they or any one of them has requested. The undersigned acknowledges that he or she has sufficient knowledge, financial and business experience concerning the affairs and conditions of the Company so that he or she can make a reasoned decision as to this investment in the Company and is capable of evaluating the merits and risks of this investment. Based on the foregoing, the undersigned hereby agrees to indemnify the Company thereof and to hold each of such persons and entities, 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 such warranties of the undersigned, or arising as a result of the sale or distribution of the Common Stock by the undersigned in violation of the Act, the Securities Exchange Act of 1934, as amended, or any other applicable law, either federal or state. This subscription and the representations and warranties contained herein shall be binding upon the heirs, legal representatives, successors and assigns of the undersigned.

5. The undersigned acknowledges that he or she is able to bear, and understands, the economic risks of the proposed investment and all other risks of the company's business.

The undersigned represents that he or she is:

(a) An Accredited Investor, as that term is defined by Regulations of the Securities and Exchange Commission, which means any investor meeting at least one of the following conditions:

(i) Any natural person whose individual net worth (or joint net worth with that person's spouse. If applicable) at the time of purchase exceeds $1000,000: or

(ii) Any natural person who had an individual income in excess of $200,000 or joint income with that person's spouse in excess of $300,000 in each of the two most recent years and who reasonably expects an income in excess of or joint income with that person's spouse in excess of $300,000 in the current year: or

(iii) Any other Accredited Investor as that term is defined in Regulation D as adopted by the Securities and Exchange Commission.

6.

(a) The undersigned is aware of the restrictions of transferability of the Common Stock and further understands and acknowledges that any certificates evidencing the Common Stock will bear the following legends, to which such interests will be subject:

THE SHARES EVIDENCED BY THIS CERTIFICATE HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED, OR QUALIFIED FOR SALE UNDER ANY STATE SECURITIES LAWS (COLLECTIVELY, "SECURITIES LAWS") AND MAY NOT BE OFFERED, SOLD OR OTHERWISE TRANSFERRED UNLESS REGISTERED OR QUALIFIED FOR SALE UNDER ALL APPLICABLE SECURITIES LAWS OR UNLESS, IN THE OPINION OF COUNSEL SATISFACTORY TO THE ISSUER, IN FORM AND SUBSTANCE SATISFACTORY TO THE ISSUER, ANY SUCH OFFER, SALE OR OTHER TRANSFER IS EXEMPT FROM THE REGISTRATION OR QUALIFICATION REQUIREMENTS OF SUCH SECURITIES LAWS.

(b) The undersigned understands that following the purchase of the Common Stock, the Common Stock may only be disposed of pursuant to either (i) an effective registration statement under the Act, or (ii) an exemption from the registration requirements of the Securities Act of 1933.

(c) The Company has neither filed such a registration statement with the SEC or any state authorities nor agreed to do so, nor contemplates doing so in the future for this offering of Common Stock, and in the absence of such a registration statement or exemption, the undersigned may have to hold the Common Stock indefinitely and may be unable to liquidate them in case of an emergency.

(d) The undersigned acknowledges that the Company is not obligated and does not propose to furnish the undersigned with information necessary to enable it to be able to make sales under Rule 144 of the Securities Act of 1933.

7. The undersigned represents that he or she is a resident of England and makes the following representation:

I, THE UNDERSIGNED, REPRESENT THAT I HAVE A PRE-EXISTING PERSONAL OR BUSINESS RELATIONSHIP WITH THE COMPANY, ANY OFFICER, DIRECTOR OR CONTROLLING PERSON THEREOF OR HAVE, THROUGH MYSELF OR THROUGH MY UNAFFILIATED PROFESSIONAL

ADVISER, THE BUSINESS OR FINANCIAL EXPERIENCE TO PROTECT MY INTERESTS IN CONNECTION WITH MY SUBSCRIPTION HERETO.

FURTHER, I AM PURCHASING THE COMMON STOCK OFFERED HEREBY FOR INVESTMENT AND NOT WITH A VIEW TOWARD DISTRIBUTION THEREOF.

8. This Subscription Agreement has been delivered in, and shall be construed in accordance with the laws of the State of California. Subject to the provisions of the paragraph immediately following, any action in connection with this Subscription Agreement shall be brought in the appropriate state or federal court in and for the County of Los Angeles, State of California, which shall have exclusive jurisdiction over such action.

Executed as of this 26th day of February 2004

By: /s/ Jack Brabham
Signature of Subscriber

Sir Jack Brabham
Print Name

* *

The above and foregoing Subscription accepted this 26th day of February, 2004.

Save the World Air, Inc.
a Nevada corporation

By: Eugene E. Eichler

Its: Chief Financial Officer

Annex B

February 21,2003

STRICTLY PRIVATE AND CONFIDENTIAL

BY FACSIMILE
Save the World Air, Inc.
29229 Canwood Street, Suite 206
Agoura Hills, California 91301

Attention: Eugene E. Eichler, Chief Financial Officer

Gentlemen:

In connection with the advisory services that you have asked me to provide to Save the World Air, Inc. (the "**Company**") as a member of its Advisory Board, I may be provided and/or have access to technical and other information concerning the Company and its proprietary technology (the "Technology") for a product known as the Zero Pollution-Fuel Saving Device ("ZERO Device") that can be used on motor vehicles to reduce pollution and improve fuel efficiency. As a condition to my being furnished such information, I agree to treat any information concerning the Technology (including without limitation all specifications, designs, processes, concepts, ideas, strategic plans, product development plans, research and development, information about the Company's operations, finances, reports, interpretations, forecasts and records, and any analyses, compilations, studies or other documents, whether prepared by the Company or others, that contain or reflect such information (collectively, the "**Confidential Information**") in accordance with the provisions of this letter. The term "**Confidential Information**" does not include information which (a) was or becomes generally available to the public other than as a result of a disclosure by me or my agents or advisors, (b) was or becomes available to me on a non-confidential basis from a source other than the Company or its advisors provided that such source is not bound by a confidentiality agreement with the Company, (c) was within my possession prior to its being furnished to me by or on behalf of the Company, provided that the source of such information was not bound by a confidentiality agreement with the Company in respect thereof.

By this letter, I agree that the Confidential Information will be used solely for the purposes in furtherance of my advisory services to the Company and will not be used by me in any way detrimental to the Company. I also agree that the Confidential Information will be kept confidential by me, my agents and employees; *provided, however*, that (i) any such information may be disclosed to my agents and employees who need to know such information for the purpose of providing the advisory services (it being understood that such persons shall be informed by me of the confidential nature of such information and shall be directed by me to treat such information confidentially and shall assume the same obligations as I under this letter) and (ii) any disclosure of such information may be made to which the Company consents in writing. I shall be responsible for any breach of this letter by my agents or employees.

In the event I am required by legal process to disclose any of the Confidential Information, I shall provide you with prompt notice of such requirement so that you may seek a protective order or other appropriate remedy or waive compliance with the provisions of this letter. In the event that a protective order or other remedy is obtained, I shall use all reasonable efforts to assure that all Confidential Information disclosed will be covered by such order or other remedy. Whether such protective order or other remedy is obtained or the Company waives compliance with the provisions of this letter, I will disclose only that portion of the Confidential Information that I am legally required to disclose. This letter shall be governed by laws of California, U.S.A, in all respects.

* * *

Very truly yours,

/s/ Jack Brabham

Exhibit 10.27

EXCLUSIVE CAPITAL RAISING AGREEMENT

This Exclusive Capital Raising Agreement (the "Agreement") is entered into as of the date set forth on the signature page hereof by and between Save the World Air, Inc ("STWA"), and London Aussie Marketing, Limited. ("Introducer"), a UK based financial consulting company, with respect to the following:

Introducer has indicated its desire to act as an Introducer for STWA with respect to locating private equity entities or individuals (collectively, "Designated Prospects"), that are interested in providing capital to STWA. STWA is agreeable to having an Introducer act in such capacity.

STWA and Introducer hereby agree as follows:

1. Amount of Capital to be Raised: STWA has indicated its intention to raise up to USD $10 million in a private placement. STWA grants exclusive rights to Introducer to raise USD $5 million with private equity firms.

2. Start and End Date of Capital Raising: It is STWA's intention to conclude the private placement by November 2004. STWA is not bound by this date.

3. Terms of Capital Raising: These are as set forth in the Private Placement Memorandum dated July 26, 2004.

IMPACT

Given the benefits to STWA for accessing professional private equity firms, STWA will advise its other sources that the total amount to be raised by other sources is less than USD $5 million. This is because private equity firms have no interest in amount less than USD $5 million.

For example, if the private placement total is USD $7 million, then the Introducer is allocated USD $5 million and USD $2 million is allocated to other sources.

The Introducer can raise more than USD $5 million, and can market to others the total private placement. For example, the Introducer can market to Designated Prospects that the full amount of the private placement is available for funding. However, any amounts greater than USD 5 million raised by the Introducer must have prior approval of both Bruce McKinnon and Eugene Eichler.

The Introducer understands that if private individuals subscribe to the whole amount, then STWA has the right to decide whether to go with the private investor or whether private equity funding would be more or less beneficial.

1. STWA hereby appoints Introducer, and Introducer agrees to use its best efforts to (a) locate, and solicit Designated Prospects, (b) prepare reports to STWA on the status of discussion with Designated Prospects and (c) devote as much time, attention and skill as may be necessary to conduct such activities properly. Introducer shall ask Eugene E. Eichler and Bruce McKinnon if they would like to attend the introduction meetings prior to any formal presentations. Introducer shall have no right to use the STWA logo in any manner or for any purpose without the prior written consent of STWA. Introducer will also comply with any other requirements reasonably requested by STWA. Introducer will only introduce Designated Prospects to whom Introducer reasonably believes are "accredited investors" as defined by Rule 501 under the Securities Act of 1933, as amended.

2. Designation of Designated Prospects. A private equity, business entity or individual shall be deemed a Designated Prospect hereunder, if introduced by Mark Thornton, director of the Introducer.

3. Definition of Designated Person. A Designated Prospect is a person who (i) is not an existing shareholder of STWA, a party to a contract with STWA or a business entity or individual who can be demonstrated by written materials (such as sales reports) to have already been known to STWA as a potential source of financing, (ii) has not been brought or introduced to STWA by any other person in connection with a capital raising transaction, and (iii) is an "accredited investor" as defined in Rule 501 under the Securities Act of 1933, as amended. A person shall cease to be a Designated Prospect for all purposes hereof upon the date twelve months following its or his introduction to STWA by Introducer.

4. Effect of Direct or Indirect Introductions. A Designated Prospect includes any person who invests in STWA through a direct or indirect introduction made by Introducer.

5. Independent Contractor. Introducer is and at all times shall be an independent contractor in all matters relating to this agreement. Introducer and its employees are not agents of STWA for any purposes and have no power or authority, whether apparent, actual, ostensible or otherwise, to bind or commit STWA in any way. Introducer and its employees are not and shall not be employees of STWA for any purpose and shall not be entitled to any benefits STWA provides to its employees.

6. Introducer's Fee. In consideration for the services performed by Introducer hereunder, STWA shall pay to Introducer an Introducer's fee ("Introducer's Fee") with respect to each capital raising transaction consummated with a Designated Prospect. The Introducer's Fee is a cash compensation calculated as eight percent **(8%)** of the total proceeds received by STWA from Designated Prospect. Introducer's Fee is only upon STWA's receipt of proceeds of a financing involving the Designated Prospect, the receipt of which STWA has the right to accept or reject, in whole or in part, in its sole and absolute discretion. STWA shall not be obligated to pay any fee to Introducer with respect to a Designated Prospect for which a financing is not completed.

7. Expenses. STWA shall not be responsible for any of the expenses Introducer incurs in connection with Introducer's performance of its services hereunder.

8. No Obligation. Introducer acknowledges that the decision to pursue discussions with a Designated Prospect with respect to a possible capital raising transaction is solely STWA's and that STWA shall have no obligation to pursue any Designated Prospect that Introducer brings to STWA. Introducer agrees and understands that the decision to accept or reject an investment from any potential investor is for STWA to make, in its sole and absolute discretion, including reasons related to shareholder limitations and confidentiality.

9. Compliance with Laws. Introducer shall not enter into any agreement, contract or arrangement with any government or government representative or with any other person, firm, corporation, entity or enterprise imposing any legal obligation or liability of any kind on STWA. Without limiting the generality of the foregoing, Introducer specifically shall not sign STWA's name to any contract or other instrument and shall not contract any debt or enter into any agreement, either express or implied, binding to the payment of money or the

performance of any obligation. Moreover, Introducer shall not make any representations or warranties on behalf of STWA to any Designated Prospects, it being understood that such representations and warranties will be made by STWA only in the definitive financing documents. Introducer represents and warrants that it will conduct all of its activities hereunder in accordance with all applicable laws, including laws relating to qualification and licensure of broker-dealers in the several states of the United States.

10. Term. This letter agreement is effective as of the date hereof and shall continue in effect for six months unless earlier terminated in writing by both parties. Notwithstanding the previous sentence, the period during which Introducer shall have the right to act exclusively on behalf of the Company in connection with a capital raising transaction shall commence as of the date hereof and terminated on November 15, 2004, unless extended by mutual agreement of the parties.

11. Termination.

(a) Upon the termination of this Agreement for any reason, Introducer's entitlement to compensation from STWA shall immediately cease. Introducer shall be entitled to receive compensation, to the extent that Designated Prospect referrals made on or before the termination date consummate a capital raising transaction, and STWA receives all capital to be received under the terms of the definitive agreements within 12 months of the date of such termination.

12. General Provisions.

(a) Governing Law; Severability. This Agreement shall be governed by and under the laws of the State of New York without giving effect to conflicts of law principles. If any provision hereof is found invalid or unenforceable, that part shall be amended to achieve as nearly as possible the same effect as the original provision and the remainder of this Agreement shall remain in full force and effect.

(b) Construction. The headings set forth in this Agreement are for convenience only and shall not be used in interpreting the text of the section in which they appear. The parties acknowledge that each party and its counsel has reviewed and revised this Agreement and that the rule of construction to the effect that any ambiguities are to be resolved against the drafting party shall not be employed in the interpretation of this Agreement or any amendments or schedules hereto, or any documents executed in connection herewith. When necessary herein, all terms used in the singular shall apply to the plural, and all terms used in the masculine or feminine gender shall apply to the neuter.

(c) Disputes. Any dispute arising under or in any way related to this Agreement shall be submitted to binding arbitration by the American Arbitration Association (the "Association") in accordance with the Association's commercial rules then in effect. The arbitration shall be conducted only in New York, New York. The arbitration shall be binding on the parties and the arbitration award may be confirmed by any court of competent jurisdiction. In no event shall the demand for arbitration be made after the date when institution of legal or equitable proceedings based on such claim, dispute or other matter in question would be barred by the applicable statute of limitations. In the event of any dispute between the parties hereto, arising out of or relating to this Agreement or the breach hereof, or the interpretation hereof, the prevailing party shall be entitled to recover from the losing party reasonable expenses, attorneys' fees, and costs incurred in connection therewith or in the enforcement or

collection of any judgment or award rendered therein. The "prevailing party" means the party determined by the arbitration proceeding to have most nearly prevailed, even if such party did not prevail in all matters, not necessarily the one in whose favor a judgment or award is rendered. Further, in the event of any default by a party under this Agreement, such defaulting party shall pay all the expenses and attorneys' fees incurred by the other party in connection with such default, whether or not any arbitration is commenced.

(d) Confidential Information. Introducer acknowledges that, in the course of performing its duties under this Agreement, it may obtain information relating to STWA that is not available to the public ("Confidential Information"). As a condition to entering into this Agreement, Introducer shall have executed the customary form of Confidentiality or Non- Disclosure Agreement used by STWA and Introducer further agrees to execute any amended or revised agreement that may subsequently be adopted by STWA. In amplification of Introducer's duties under such agreements Introducer agrees to hold at all times, both during the term of this Agreement and at all times thereafter, such Confidential Information in the strictest confidence, and shall not use such Confidential Information for any purpose, other than as may be reasonably necessary for the performance of its duties as an Introducer pursuant to this Agreement, without STWA's prior written consent. Introducer shall not disclose any Confidential Information to any person or entity (other than employees, consultants and advisors of Introducer who are obligated to protect the Confidential Information from disclosure or misuse and as to whom Introducer shall be responsible to STWA for any such unauthorized disclosure or use), without STWA's prior written consent. Notwithstanding the above, the terms of this Agreement shall not alter, in any way, the obligations of Introducer and STWA pursuant to any Confidentiality Agreement or Non-Disclosure Agreement previously entered into between Introducer and STWA. The terms of any such Confidentiality Agreement or Non-Disclosure Agreement shall survive the termination of this Agreement.

(e) Entire Agreement. This Agreement constitutes the entire Agreement and final understanding of the parties with respect to the subject matter hereof and supersedes all prior and/or contemporaneous understandings and/or discussions between the parties, whether written or verbal, express or implied, relating in any way to the subject matter hereof including, but not limited any other arrangements between the parties for contingency fees. This Agreement may not be altered, amended, modified or otherwise changed in any way except by a written agreement, signed by both parties.

(f) Notices. Any notice or other communication pursuant hereto shall be given to a party at the address below its signature hereto by (i) personal delivery, (ii) commercial overnight delivery service with written verification of receipt, or (iii) registered or certified mail. If so mailed or delivered, a notice shall be deemed given on the earlier of the date of actual receipt or three days after the date of transmission by authorized means.

(g) Nonassignability. Neither this Agreement, nor any rights, duties or interest herein, shall be assigned, transferred, pledged, hypothecated or otherwise conveyed by either party without the prior written consent of the other party. Any such attempted conveyance in violation of this paragraph shall be void and shall constitute a default entitling the other party to terminate this Agreement.

(h) Due Authority. The signing officers of STWA and Introducer represent and warrant to each other that they are empowered to enter into, and to be legally bound by, this Agreement.

IN WITNESS WHEREOF, STWA and Introducer have executed this Agreement as of **July 29, 2004.**

LONDON AUSSIE MARKETING LIMITED ("INTRODUCER")

/s/ Mark Thornton

By: Mark Thornton
Title: Director

SAVE THE WORLD AIR, INC. ("STWA")

/s/ Eugene E. Eichler

By: Eugene E. Eichler
Title: President, Treasurer,
Chief Financial Officer

Exhibit 10.28

CONSULTING AGREEMENT

This Agreement (this "Agreement"), dated as of November 19, 2004, between Save the World Air, Inc., a Nevada corporation (the "Company"), and London Aussie Marketing, Ltd. (the "Consultant").

RECITALS

WHEREAS, the Company is in the business, among other things, of supplying the goods described on Exhibit A attached hereto (the "Goods").

WHEREAS, Consultant has provided services to the Company including the introduction of the Company to a strategic partner (the "Strategic Partner");

WHEREAS, the Company and Consultant desire to enter into a relationship whereby Consultant will provide services to the Company on the terms and conditions set forth herein.

AGREEMENT

NOW THEREFORE, the parties hereto, intending to be legally bound, agree as follows:

1. Scope of Services to Be Provided. Consultant shall provide to the Company, on an as needed basis, assistance, advice and support relating to the Company's business, as the Company may request from time to time. Without limiting the generality of the foregoing, Consultant shall:

(a) Shall undertake and perform the following tasks and such additional or other responsibilities as may be reasonably assigned to Consultant from time to time by the Company's Chief Executive Officer, Chief Operating Officer, or Director of Research and Development:

(i) Managing the Company's relationship with the Strategic Partner, including management services already provided by Consultant.

(ii) Assisting the Strategic Partner in soliciting orders for, and generating contracts with respect to, the Products, including assistance already provided by Consultant.

(b) Assist in the preparation of regular monthly reports to the Company on the efforts expended and undertaken on each project assigned to or undertaken by Consultant.

2. Term.

(a) This Agreement shall continue in full force for a period of 7, years unless earlier terminated in accordance with this Section 2 or Section 6. The obligations of Consultant upon the termination of this Agreement for any reason are described in Section 7.

(b) This Agreement shall be automatically renewed for successive one-year

terms unless either party provides written notice of its election not to renew this Agreement at least 60 days prior to the expiration of the then current term, in which case the Agreement shall terminate upon expiration of such term.

3. Compensation of Consultant.

(a) Royalties. In full consideration of all rights granted herein and all services performed and to be performed hereunder, the Company will pay to Consultant royalties from revenues derived from contracts with customers generated by the Strategic Partner, provided that the Strategic Partner was instrumental in generation of such contracts, subject to the Company's acceptance of the Strategic Partner and entry into a binding joint venture, strategic alliance or similar agreement of Strategic Partner, as follows.

(i) Consultant shall be paid a royalty equal to 1.25% of Gross Receipts (as defined below) from revenues derived from contracts generated by the Strategic Partner.

(ii) "Gross Receipts" shall mean 100% of all sums received by or credited to the Company and its affiliates from unrelated third parties from revenues that are derived from contracts generated by the Strategic Partner and that originate from the country in which such contract is located. Gross Receipts shall be deemed to exclude sums received by the Company and/or its affiliates which represent sales taxes, value added taxes, excise taxes, and similar taxes which are collected by the Company and its affiliates as required by any requisite taxing authorities of any government, but limited to the extent that such taxes are paid and not returned or credited to the Company or an affiliate. Gross Receipts shall also be deemed to exclude foreign currencies to the extent any foreign licensing society or organization collects or withholds any portion thereof on behalf of or for the benefit of the Company. With respect to foreign currencies received by the Company and its affiliates in connection herewith, it is agreed and understood that such sums received shall be included in Gross Receipts hereunder, whether or not such sums have been received in U.S. dollars in the United States, and whether or not such sums which are capable of being remitted to the United States have yet been remitted. Gross Receipts are not subject to retroactive adjustments for returns, refunds, credits, settlements, rebates and discounts.

(iii) Royalties shall be payable pursuant to this Section 8(a) during the period beginning on the date of this Agreement and ending on the date occurring ten years thereafter.

(iv) All amounts payable to Consultant pursuant to this Section 8(a) shall be paid by the Company no later than 30 days after the end of each calendar quarter in respect of the applicable Gross Receipts amounts actually received by the Company in such quarter. A statement of account prepared by the Company shall accompany each such payment to Consultant.

(b) Warrants. Subject to compliance with applicable securities laws, the Company shall issue to Mark Thornton, an individual, warrants to purchase shares of common stock of the Company as follows:

(i) Warrants to purchase 50,000 shares of common stock of the Company issuable upon the date hereof in exchange for the Consultant's introduction of the Strategic Partner to the Company. Such warrants shall have a term of five years and have an exercise price of $1.00 per share.

(ii) Warrants to purchase 450,000 shares of common stock of the Company, subject to and issuable upon the Company making a formal public announcement that it has entered into a binding joint venture, strategic alliance or similar agreement with the Strategic Partner. Such warrants shall have a term of five years and have an exercise price of $1.00 per share. Shares shall be in the name of London Ausie Marketing Ltd.

(c) Form S-8 Registration. The Company agrees to file with the Securities and Exchange Commission as soon as practicable a registration statement on Form S-8 (or other available form) registering the resale of the shares of common stock issuable upon exercise of the warrants to be issued pursuant to Section 3(b).

4. Nondisclosure. Without the express prior written consent of the Company, Consultant shall not reveal to any third party any information of the Company that is identified by the Company as being of a confidential or proprietary nature (the "Confidential Information"). Confidential Information may be used by Consultant only with respect to performance of its obligations under this Agreement, and only by those employees of Consultant who have a need to know such information for the purposes related to this Agreement. Consultant shall protect the Confidential Information by using the same degree of care (but no less than a reasonable degree of care) to prevent the unauthorized use, dissemination or publication of such Confidential Information that the Company uses. Consultant's obligation with respect to any Confidential Information under this Section 5 shall continue after and survive the termination of this Agreement.

5. No Servicing by Consultant. It is understood by Consultant that it is not authorized by this Agreement to perform servicing of any kind upon any Goods in the Territory or elsewhere, absent the express prior written approval of the Company.

6. Termination.

(a) The Company shall have the right to terminate this Agreement effective immediately by written notice to Consultant if:

(i) Consultant engages in any conduct which threatens injury to the good name and reputation of the Company;

(ii) the Company has reasonable grounds to believe that Consultant will be unable, whether because of financial difficulty or otherwise, to fulfill satisfactorily its obligations under this Agreement;

(iii) Consultant fails to conduct its business in accordance with all applicable laws or regulations.

(b) Either party to this Agreement may terminate this Agreement effectively immediately upon written notice if the other party becomes insolvent, discontinues its business, has a receiver appointed for it, any petition is filed by or against it in accordance with the bankruptcy laws, or any assignment is made by it for the benefit of creditors.

(c) In the event either party to this Agreement shall fail to perform or fulfill any of its responsibilities as set forth herein, the other party may notify such defaulting party of the matter in breach and if such matter is not cured within 30 days after receipt of such notice the complaining party may by further written notice immediately terminate this Agreement.

(d) Either party may terminate this Agreement in its sole discretion by giving to the other party no less than 90 days written notice thereof.

7. Effect of Termination. Consultant shall immediately upon termination return to the Company all Confidential Information within its possession, including any documents of a confidential or proprietary nature concerning the Goods which it has in its possession and all forms, brochures and samples pertaining to the Goods. Any and all amounts due to Consultant pursuant to this Agreement in respect of orders that were placed prior to the date of termination shall be paid to Consultant pursuant to the manner described in Section 8.

8. Applicable Law. This Agreement shall be construed in accordance with, and shall be governed by, the laws of the State of California.

9. Counterparts. This Agreement may be executed in one or more counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument.

10. Amendments. The provisions of this Agreement may be waived, altered, amended or repealed in whole or in part only on the written consent of all the parties to this Agreement.

11. Notice. All notices, demands, and other communications under this Agreement shall be in writing and shall be deemed to have been duly given (i) on the date of delivery if delivered in person to the party to whom such notice is given, (ii) on the date such notice is posted by mail, postage prepaid, registered mail, properly addressed to the party receiving such notice, or (iii) upon the date of telex transmission, if by telex. Any notices hereunder shall be sent to the following addresses and telex numbers or such other addresses or telex numbers as may be designated by a party in writing from time to time in accordance with the procedure stated herein:

If to the Company:

Save the World Air, Inc.
5125 Lankershim Boulevard
North Hollywood, CA 91601
Facsimile: 818-487-8003
Attention: Eugene Eichler

If to Consultant:

London Aussie Marketing, Ltd.
2053 8th Avenue #2C
New York, NY 10026
Telephone: 212-222-0440
Attention: Mark Thornton

12. Divisibility. If any of the terms, provisions, covenants or conditions of this Agreement is held by a court of competent jurisdiction to be invalid, void, or unenforceable, the remainder of the provisions shall remain in full effect and shall in no way be affected, impaired or invalidated.

13. Final Agreement of the Parties. This Agreement supersedes and terminates any and all prior agreements or contracts, written or oral, entered into between the parties hereto with respect to the subject matter hereof.

14. Assignment. This Agreement may not be assigned by Consultant, in whole or in part, to any other party without the express written consent of the Company.

15. Headings. The Section headings in this Agreement are for convenience of reference only and shall have no bearing on the enforcement or interpretation of this Agreement.

16. Waiver. No waiver, forbearance or failure by either party of its rights to enforce any provision of this Agreement shall constitute a waiver or estoppel of such party's right to enforce such provision thereafter or to enforce any other provision of this Agreement.

17. Jurisdiction. The parties hereby unconditionally and irrevocably agree that the state and federal courts of California and any California or federal court competent to hear appeals therefrom shall have the exclusive jurisdiction over any and all actions arising out of or

in relation to this Agreement, or for the breach hereof.

18. Relationship of the Parties. Consultant is not an employee of the Company for any purpose whatsoever, but is an independent contractor. The parties, by this Agreement, have not entered into any form of joint venture or any other mutual enterprise, other than the rendering by Consultant of the services for the Company in accordance with the terms hereof. All expenses and disbursements, including, but not limited to, those for travel and maintenance, entertainment, office, clerical, and general selling expenses, that may be incurred by Consultant in connection with this Agreement shall be born wholly and completely by Consultant, and the Company shall not be in any way responsible or liable therefore. Consultant does not have, nor shall it hold itself out as having, any right, power, or authority to create any contract or obligation, either expressed or implied, on behalf, in the name of, or binding upon the Company. Any and all agents and employees of Consultant shall be at Consultant's own risk, expense and supervision, and the agents and employees of Consultant shall not have any claim against the Company for salaries, commissions, items of cost, or any other form of compensation. Consultant shall indemnify and hold the Company harmless from any cost and liability caused by any unauthorized act of Consultant, its agents or employees.

[remainder of page intentionally left blank]

IN WITNESS WHEREOF, the parties have executed this Agreement on the day and year first written above.

"Company"

SAVE THE WORLD AIR, INC.

By: /s/ Eugene Eichler
Name: Eugene E. Eichler
Title: President and Chief Financial Officer

"Consultant"

LONDON AUSSIE MARKETING, LTD.

By: /s/ Mark Thornton
Name
Title:

Exhibit A

Description of the Goods

1. ZEFS devices

2. CAT-MATE devices

Exhibit 10.29

EMPLOYMENT AGREEMENT

AGREEMENT made as of the 1st day of September 2004 by and between SAVE THE WORLD AIR, INC. ("STWA"), a Nevada chartered corporation, and Erin Brockovich (the "Executive").

BACKGROUND

A. STWA desires to employ the Executive and the Executive is willing to serve on the terms and conditions herein provided.

B. In order to effect the foregoing, the parties hereto desire to enter into an employment agreement on the terms and conditions set forth below.

NOW, THEREFORE, in consideration of the premises and the respective covenants and agreements of the parties contained herein, and intending to be legally bound hereby, the parties hereto agree as follows:

1. **Definitions and Special Provisions** Each capitalized word and term used herein shall have the meaning ascribed to it in the glossary appended hereto, unless the context in which such word or term is used otherwise clearly requires further definition. Such glossary is incorporated herein by reference and made a part hereof.

2. **Employment**. STWA hereby agrees to employ the Executive, and the Executive hereby agrees to serve STWA, on the terms and conditions set forth herein.

3. **Term of Agreement** The Executive's employment under this Agreement shall commence on the date hereof and, except as otherwise provided herein, shall continue until July 31, 2005; provided, however, that commencing on July 31, 2005 and each anniversary thereafter, the term of this Agreement shall automatically be extended for one additional year beyond the term otherwise established unless, prior to such date, STWA or the Executive shall have given a Notice of Non-Extension.

4. **Position and Duties** The Executive shall serve as Vice President of Environmental Affairs of STWA and she shall have such responsibilities, duties and authority as may, from time to time, be generally associated with such position and or as specifically detailed in the company's official "Position Description." In addition, the Executive shall serve in such capacity, with respect to each Subsidiary or affiliated company, as the Board of Directors of each such Subsidiary or affiliated company shall designate from time to time. During the term of this Agreement, she shall devote such working time and efforts to the business and affairs of STWA, it's Subsidiaries and affiliated companies as directed from time to time by her supervising officer. Not withstanding, nothing herein shall be construed as precluding her from devoting a reasonable amount of time to her other business activities with Masry & Vititoe and Erin Brockovich, Inc. provided they do not represent conflicts with her assigned responsibilities in this section and are not otherwise in any way detrimental to STWA.

5. **Compensation and Related Matters.**

Base Compensation. During the period of the Executive's employment hereunder, STWA shall pay to her annual base compensation of not less than $60,000.00;

The Board(s) of Directors of STWA shall periodically review the Executive's employment performance, in accordance with policies generally in effect from time to time, for possible merit or cost-of-living increases in such base compensation. Except for a reduction, should such reduction occur, which is proportionate to a company-wide reduction in executive pay, the annual base compensation paid to the Executive in any period shall not be less than the annual base compensation paid to her in any prior period. The frequency and manner of payment of such base compensation shall be in accordance with STWA's executive payroll practices from time to time in effect

Incentive Compensation. During the period of the Executive's employment hereunder, she shall be eligible to participate in certain incentive plans, stock option plans, and similar arrangements in accordance with her supervisor's recommendation at award levels consistent and commensurate with her position and duties hereunder.

(a) **Employee Benefit Plans and Other Plans or Arrangements** The Executive shall be entitled to participate in all Employee Benefit Plans of STWA that either, are in effect at present or that may be adopted in the future. In addition, she shall be entitled to participate in and enjoy any other plans and arrangements which provide for sick leave, vacation, or personal days, provided to or for the officers of STWA from time to time. Notwithstanding the foregoing, Executive shall be entitled to at least four (4) weeks vacation per calendar year during each year of employment. Such vacation shall be prorated during the year 2004 based on the date of this Agreement.

(b) **Expenses**. During the period of the Executive's employment hereunder, she shall be entitled to receive prompt reimbursement for all reasonable and customary expenses, including transportation expenses, incurred by her in performing services hereunder in accordance with the general policies and procedures established by STWA. Not withstanding, such expenses require the Executive's supervisor approval prior to their expenditures.

6. **Termination By Reason of Disability**

(a) **In General**. In the event the Executive becomes unable to perform her duties on a basis as required by reason of the occurrence of her Disability and, within 30 days after a Notice of Termination is given, she shall not have returned to perform such duties, her employment may be terminated by STWA.

(b) **Compensation** During any period of disability during which Executive is unable to perform the services required of Executive hereunder and remains employed, her salary hereunder shall be payable only to the extent of, and subject to, Employer's policies and practices then in effect with regard to sick leave and disability benefits.

7. **Termination By STWA for Cause**

(a) **In General**. STWA may terminate Executive's employment for gross negligence, conviction of a felony or any other conviction reflecting dishonesty, or breach of this Agreement, and in any such event, all obligations of Employer hereunder shall immediately terminate.

(b) **Compensation**. Within 30 days after the Executive's termination under Subparagraph (a), STWA shall pay her, in one lump sum, her accrued but unpaid base compensation and vacation compensation earned through the Date of Termination.

8. **Termination By STWA Without Disability or Cause**

(a) **In General**. In the event STWA intends to terminate the Executive's employment for any reason other than Disability or Cause, it shall deliver a Notice of Termination to her which specifies a Date of Termination not less than 30 days following the date of such notice.

(b) **Compensation and Benefits During Remaining Term of Agreement**. In the event of the termination of the Executive's employment under Subparagraph (a), STWA shall pay or provide the compensation and benefits described in Paragraph 6(b), except that all such compensation and benefits shall be for the remaining term of this Agreement determined in accordance with Section 3 hereof, unless a change in control has occurred prior to such termination of employment, in which case all such compensation and benefits shall be for a term of one (1) year from the Date of Termination and the term of this Agreement shall continue until all such compensation and benefits are paid to Executive in full.

(c) **Death During Remaining Term of Agreement** In the event of Executive's death during the term of his employment, this Agreement shall terminate and Employer shall only be obligated to pay Executive's estate or legal representative accrued salary and benefits to the extent earned by Executive prior to her death.

9. **Termination By the Executive**

(a) **In General**. In the event the Executive intends to terminate her employment, she shall deliver a Notice of Termination to STWA which specifies a Date of Termination not less than 30 days following the date of such notice.

(b) **Compensation** Within 30 days after the Executive's termination under Subparagraph (a), STWA shall pay her, in one lump sum, her accrued but unpaid base compensation and vacation compensation earned through the Date of Termination.

10. **Withholding Taxes**. All compensation and benefits provided for herein shall, to the extent required by law, be subject to federal, state, and local tax withholding.

11. **Confidential Information**. The Executive agrees that subsequent to her employment with STWA, she will not, at any time, communicate or disclose to any unauthorized person,

without the written consent of the STWA, any proprietary or other confidential information concerning STWA or any Subsidiary of STWA; provided, however, that the obligations under this paragraph shall not apply to the extent that such matters (i) are disclosed in circumstances where the Executive is legally obligated to do so, or (ii) become generally known to and available for use by the public otherwise than by her wrongful act or omission; and provided further, that she may disclose any knowledge of insurance, financial, legal and economic principles, concepts and ideas which are not solely and exclusively derived from the business plans and activities of STWA.

12. **Covenants Not to Compete or to Solicit**.

(a) **Noncompetition**. During the period in which she is employed by STWA and, if the Executive's employment terminates under Paragraphs 6, for a period of 12 months after the Date of Termination (the "Noncompetition Period"), the Executive shall not, without the written consent in writing of the Board of Directors of STWA, become an executive officer, partner, consultant, director, or a four and nine-tenths percent or greater shareholder or equity owner of any entity engaged in any similar activity as STWA it's Subsidiaries and affiliated companies. If at the time of the enforcement of this paragraph a court holds that the duration, scope, or area restrictions stated herein are unreasonable under the circumstances then existing and, thus, unenforceable, STWA and the Executive agree that the maximum duration, scope, or area reasonable under such circumstances shall be substituted for the stated duration, scope, or area.

(b) **Nonsolicitation**. During her employment and the Noncompetition Period, the Executive shall not, whether on her own behalf or on behalf of any other individual or business entity, solicit, endeavor to entice away from STWA, a Subsidiary or any affiliated company, or otherwise interfere with the relationship of STWA, a Subsidiary or any affiliated company with any person who is, or was within the then most recent 12 month period, an employee or associate thereof; provided, however, that this subparagraph shall not apply following the occurrence of a Change in Control.

(c) **Extension of Noncompetition Period** The Non-Competition Period shall be automatically extended by the length of time (if any) in which the Executive is in violation of any of the terms of this Section 19.

13. **Arbitration**. To the extent permitted by applicable law, any controversy or dispute arising out of or relating to this Agreement, or any alleged breach hereof, shall be settled by arbitration in Los Angeles, California in accordance with the commercial rules of the American Arbitration Association then in existence (to the extent such rules are not inconsistent with the provisions of this Agreement), it being understood and agreed that the arbitration panel shall consist of three individuals acceptable to the parties hereto. In the event that the parties cannot agree on three arbitrators within 20 days following receipt by one party of a demand for arbitration from another party, then the Executive and STWA shall each designate one arbitrator and the two arbitrators selected shall select the third arbitrator. The arbitration panel so selected shall convene a hearing no later than 90 days following the selection of the panel. The arbitration award shall be final and binding upon the parties, and judgment may be entered thereon in the California Superior Court or in any other court of competent jurisdiction.

14. **Additional Equitable Remedy** The Executive acknowledges and agrees that STWA's remedy at law for a breach or a threatened breach of the provisions of Paragraphs 18 and 19 would be inadequate; and, in recognition of this fact and notwithstanding the provisions of Paragraph 20, in the event of such a breach or threatened breach by her, it is agreed that STWA shall be entitled to request equitable relief in the form of specific performance, temporary restraining order, temporary or permanent injunction, or any other equitable remedy which may then be available. Nothing in this paragraph shall be construed as prohibiting STWA from pursuing any other remedy available under this Agreement for such a breach or threatened breach.

15. **Related Agreements**. Except as may otherwise be provided herein, to the extent that any provision of any other agreement between STWA and the Executive shall limit, qualify, duplicate, or be inconsistent with any provision of this Agreement, the provision in this Agreement shall control and such provision of such other agreement shall be deemed to have been superseded, and to be of no force or effect, as if such other agreement had been formally amended to the extent necessary to accomplish such purpose.

16. **No Effect on Other Rights**. Except as otherwise specifically provided herein, nothing contained in this Agreement shall be construed as adversely affecting any rights the Executive may have under any agreement, plan, policy or arrangement to the extent any such right is not inconsistent with the provisions hereof.

17. **Exclusive Rights and Remedy**. Except for any explicit rights and remedies the Executive may have under any other contract, plan or arrangement with STWA, the compensation and benefits payable hereunder and the remedy for enforcement thereof shall constitute her exclusive rights and remedy in the event of her termination of employment.

18. **Notices**. Any notice required or permitted under this Agreement shall be sufficient if it is in writing and shall be deemed given (i) at the time of personal delivery to the addressee, or (ii) at the time sent certified mail, with return receipt requested, addressed as follows:

If to the Executive:	Erin Elizabeth Brockovich 29365 Castlehill Drive Agoura Hills, CA 91301
If to STWA	5125 Lankersham Boulevard North Hollywood, CA 91601 Attention: Chairman of the Board of Directors

The name or address of any addressee may be changed at any time and from time to time by notice similarly given.

19. **No Waiver**. The failure by any party to this Agreement at any time or times hereafter to require strict performance by any other party of any of the provisions, terms, or conditions contained in this Agreement shall not waive, affect, or diminish any right of the first party at any time or times thereafter to demand strict performance therewith and with any other provision, term, or condition contained in this Agreement. Any actual waiver of a provision, term, or condition contained in this Agreement shall not constitute a waiver of any other provision, term, or condition herein, whether prior or subsequent to such actual waiver and whether of the same or a different type. The failure of STWA to promptly terminate the Executive's employment for Cause or the Executive to promptly terminate her employment for Good Reason shall not be construed as a waiver of the right of termination, and such right may be exercised at any time following the occurrence of the event giving rise to such right.

20. **Survival**. Notwithstanding the nominal termination of this Agreement and the Executive's employment hereunder, the provisions hereof which specify continuing obligations, compensation and benefits, and rights (including the otherwise applicable term hereof) shall remain in effect until such time as all such obligations are discharged, all such compensation and benefits are received, and no party or beneficiary has any remaining actual or contingent rights hereunder.

21. **Severability**. In the event any provision in this Agreement shall be held illegal or invalid for any reason, such illegal or invalid provision shall not affect the remaining provisions hereof, and this Agreement shall be construed, administered and enforced as though such illegal or invalid provision were not contained herein.

22. **Binding Effect and Benefit**. The provisions of this Agreement shall be binding upon and shall inure to the benefit of the successors and assigns of STWA and the executors, personal representatives, surviving spouse, heirs, devisees, and legatees of the Executive.

23. **Entire Agreement**. This Agreement embodies the entire agreement among the parties with respect to the subject matter hereof, and it supersedes all prior discussions and oral understandings of the parties with respect thereto.

24. **No Assignment**. This Agreement, and the benefits and obligations hereunder, shall not be assignable by any party hereto except by operation of law.

25. **No Attachment**. Except as otherwise provided by law, no right to receive compensation or benefits under this Agreement shall be subject to anticipation, commutation, alienation, sale, assignment, encumbrance, charge, pledge, or hypothecation, or to set off, execution, attachment, levy, or similar process, and any attempt, voluntary or involuntary, to effect any such action shall be null and void.

26. **Captions**. The captions of the several paragraphs and subparagraphs of this Agreement have been inserted for convenience of reference only. They constitute no part of this Agreement and are not to be considered in the construction hereof.

27. **Counterparts**. This Agreement may be executed in any number of counterparts, each of which shall be deemed one and the same instrument which may be sufficiently evidenced by any one counterpart.

28. **Number**. Wherever any words are used herein in the singular form, they shall be construed as though they were used in the plural form, as the context requires, and vice versa.

29. **Applicable Law**. Except to the extent preempted by federal law, the provisions of this Agreement shall be construed, administered, and enforced in accordance with the domestic internal law of the State of California without reference to its laws regarding conflict of laws.

IN WITNESS WHEREOF, the parties have executed this Agreement, or caused it to be executed, as of the date first above written.

/s/ ERIN E. BROCKOVICH
Erin Elizabeth Brockovich

SAVE THE WORLD AIR, INC.

By: /s/ EUGENE E. EICHLER
Eugene E Eichler, President

Attest: _____
Janice Holder
Corporate Secretary

GLOSSARY

"Board of Directors" means the board of directors of the relevant corporation.

"Cause" means (i) a documented repeated and willful failure by the Executive to perform her duties, but only after written demand and only if termination is effected by action taken by a vote of (A) prior to a Change in Control, at least a majority of the directors of STWA then in office, or (B) after a Change in Control, at least 80% of the non-officer directors of STWA then in office, (ii) her final conviction of a felony, (iii) conduct by her which constitutes moral turpitude which is directly and materially injurious to STWA or any Material Subsidiary, (iv) willful material violation of corporate policy, or (v) the issuance by the regulator of STWA or any Subsidiary or affiliated company of an unappealable order to the effect that she be permanently discharged.

For purposes of this definition, no act or failure to act on the part of the Executive shall be considered "willful" unless done or omitted not in good faith and without reasonable belief that the action or omission was in the best interest of STWA or any of its Subsidiaries or affiliated companies.

"Change in Control" means the occurrence of any of the following events:

(a) any Person (except (i) STWA or any Subsidiary or prior affiliate of STWA, or (ii) any Employee Benefit Plan (or any trust forming a part thereof) maintained by STWA or any Subsidiary or prior affiliate of STWA) is or becomes the beneficial owner, directly or indirectly, of STWA's securities representing 19.9% or more of the combined voting power of STWA's then outstanding securities, or 50.1% or more of the combined voting power of a Material Subsidiary's then outstanding securities, other than pursuant to a transaction described in Clause (c);

(b) there occurs a sale, exchange, transfer or other disposition of substantially all of the assets of STWA or a Material Subsidiary to another entity, except to an entity controlled directly or indirectly by STWA;

(c) there occurs a merger, consolidation, share exchange, division or other reorganization of or relating to STWA, unless—

(i) the shareholders of STWA immediately before such merger, consolidation, share exchange, division or reorganization own, directly or indirectly, immediately thereafter at least two-thirds of the combined voting power of the outstanding voting securities of the Surviving Company in substantially the same proportion as their ownership of the voting securities immediately before such merger, consolidation, share exchange, division or reorganization; and

(ii) the individuals who, immediately before such merger, consolidation, share exchange, division or reorganization, are members of the Incumbent Board continue to constitute at least two-thirds of the board of directors of the Surviving Company; provided, however, that if the election, or nomination for election by STWA's shareholders, of any new director was approved by a vote of at least two-thirds of the Incumbent Board, such director

shall, for the purposes hereof, be considered a member of the Incumbent Board; and provided further, however, that no individual shall be considered a member of the Incumbent Board if such individual initially assumed office as a result of either an actual or threatened Election Contest or Proxy Contest, including by reason of any agreement intended to avoid or settle any Election Contest or Proxy Contest; and

(iii) no Person (except (A) STWA or any Subsidiary or prior affiliate of STWA, (B) any Employee Benefit Plan (or any trust forming a part thereof) maintained by STWA or any Subsidiary or prior affiliate of STWA, or (C) the Surviving Company or any Subsidiary or prior affiliate of the Surviving Company) has beneficial ownership of 19.9% or more of the combined voting power of the Surviving Company's outstanding voting securities immediately following such merger, consolidation, share exchange, division or reorganization;

(d) a plan of liquidation or dissolution of STWA, other than pursuant to bankruptcy or insolvency laws, is adopted; or

(e) during any period of two consecutive years, individuals who, at the beginning of such period, constituted the Board of Directors of STWA cease for any reason to constitute at least a majority of such Board of Directors, unless the election, or the nomination for election by STWA's shareholders, of each new director was approved by a vote of at least two-thirds of the directors then still in office who were directors at the beginning of the period; provided, however, that no individual shall be considered a member of the Board of Directors of STWA at the beginning of such period if such individual initially assumed office as a result of either an actual or threatened Election Contest or Proxy Contest, including by reason of any agreement intended to avoid or settle any Election Contest or Proxy Contest.

Notwithstanding the foregoing, a Change in Control shall not be deemed to have occurred if a Person becomes the beneficial owner, directly or indirectly, of securities representing 19.9% or more of the combined voting power of STWA's then outstanding securities solely as a result of an acquisition by STWA of its voting securities which, by reducing the number of shares outstanding, increases the proportionate number of shares beneficially owned by such Person; provided, however, that if a Person becomes a beneficial owner of 19.9% or more of the combined voting power of STWA's then outstanding securities by reason of share repurchases by STWA and thereafter becomes the beneficial owner, directly or indirectly, of any additional voting securities of STWA, then a Change in Control shall be deemed to have occurred with respect to such Person under Clause (a).

Notwithstanding anything contained herein to the contrary, if the Executive's employment is terminated and she reasonably demonstrates that such termination (i) was at the request of a third party who has indicated an intention of taking steps reasonably calculated to effect a Change in Control and who effects a Change in Control, or (ii) otherwise occurred in connection with, or in anticipation of, a Change in Control which actually occurs, then for all purposes hereof, a Change in Control shall be deemed to have occurred on the day immediately prior to the date of such termination of her employment.

"STWA" means Save The World Air, Inc.

"Date of Termination" means:

(a) if the Executive's employment is terminated for Disability, 30 days after the Notice of Termination is given (provided that she shall not have returned to the performance of her duties on a full-time basis during such 30-day period);

(b) if the Executive's employment terminates by reason of her death, the date of her death;

(c) if the Executive's employment is terminated by STWA for Cause, the date of termination specified in the Notice of Termination and determined in accordance with Section 8(a);

(d) if the Executive's employment is terminated by her without Good Reason, the date of termination specified in the Notice of Termination and determined in accordance with Section 9(a);

(e) if the Executive's employment is terminated by STWA for any reason other than for Disability or Cause, the date specified in the Notice of Termination and determined in accordance with Section 10(a); or

(f) if the Executive's employment is terminated by her for Good Reason, the termination date specified in the Notice of Termination and determined in accordance with Section 11(a);

provided, however that the Date of Termination shall mean the actual date of termination in the event the parties mutually agree to a date other than that described above.

"Defined Benefit Plan" has the meaning ascribed to such term in Section 3(35) of ERISA.

.**"Disability"** has the meaning ascribed to the term "permanent and total disability" in Section 22(e)(3) of the IRC.

"Employee Benefit Plan" has the meaning ascribed to such term in Section 3(3) of ERISA.

"ERISA" means the Employee Retirement Income Security Act of 1974, as amended and as the same may be amended from time to time.

"Excise Tax" means the tax imposed by Section 4999 of the IRC (or any similar tax that may hereafter be imposed by federal, state or local law).

"Executive" means NAME OF EXECUTIVE, an individual residing in ADDRESS, California.

"Incumbent Board" means the Board of Directors of STWA as constituted at any relevant time.

"IRC" means the Internal Revenue Code of 1986, as amended and as the same may be amended from time to time.

"Notice of Non-Extension" means a written notice delivered to or by the Executive which advises that the Agreement will not be extended as provided in Paragraph 3.

"Notice of Termination" means a written notice that (i) indicates the specific termination provision in this Agreement relied upon, (ii) sets forth in reasonable detail the facts and circumstances claimed to provide a basis for termination of the Executive's employment under the provision so indicated, and (iii) gives the required advance notice of termination.

"Person" has the same meaning as such term has for purposes of Sections 13(d) and 14(d) of the 1934 Act.

"Subsidiary" means any business entity of which a majority of its voting power or its equity securities or equity interests is owned, directly or indirectly by STWA.

"Successor" means any Person that succeeds to, or has the practical ability to control (either immediately or with the passage of time), STWA's business directly, by merger or consolidation, or indirectly, by purchase of STWA's voting securities or all or substantially all of its assets.

"Surviving Company" means the business entity that is a resulting company following a merger, consolidation, share exchange, division or other reorganization of or relating to STWA.

"Total Payments" means the compensation and benefits that become payable under the Agreement or otherwise (and which may be subject to an Excise Tax) by reason of the Executive's termination of employment, less the federal, state and local income tax (but not any Excise Tax) on such compensation and benefits, in each case determined without regard to any Gross-Up Payments that may also be made.

Exhibit 10.30

REPRESENTATION AGREEMENT

This Agreement (this "Agreement"), dated as of October 1, 2004, between Save the World Air, Inc., a Nevada corporation (the "Company"), and Dr. Gurminder Singh, an individual (the "Representative").

RECITALS

WHEREAS, the Company is in the business, among other things, of supplying the goods described on Exhibit A attached hereto (the "Goods").

WHEREAS, the Representative has represented to the Company that it has the capability and interest to promote the sale of the Goods in the Republic of India (the "Territory").

WHEREAS, the Company and the Representative desire to enter into a relationship whereby the Representative will act as the representative of the Company for the Goods in the Territory on the terms and conditions set forth herein.

AGREEMENT

NOW THEREFORE, the parties hereto, intending to be legally bound, agree as follows:

1. Appointment of Representative. The Company hereby appoints the Representative, and the Representative hereby accepts appointment, as the Company's representative in the Territory to solicit orders for, and generate contracts with respect to, the Goods from all potential customers in the Territory and to undertake such further actions in connection with the sale of and contracting for the Goods as are described in this Agreement. The Representative shall not solicit or accept any orders for, or generate contracts with respect to, the Goods outside of the Territory.

2. Term; Exclusivity.

(a) This Agreement shall continue in full force for a period of two years unless earlier terminated in accordance with this Section 2 or Section 13. The obligations of the Representative upon the termination of this Agreement for any reason are described in Section 14.

(b) The Representative's representation of the Company in the Territory shall be on an exclusive basis until March 31, 2005.

(c) Provided that the Representative fulfills its obligations set forth in Section 4(c), the Representative's representation of the Company shall continue on an exclusive basis until October 1, 2005.

(i) If the Company enters into any contracts with respect to the Goods generated by the Representative on or prior to October 1, 2005, the Representative's representation of the Company shall continue on an exclusive basis until October 1, 2006.

(ii) If the Company does not enter into any contracts with respect to the Goods generated by the Representative on or prior to October 1, 2005, the Representative's representation of the Company shall continue on a non-exclusive basis until October 1, 2006.

(d) If the Representative fails to fulfill its obligations set forth in Section 4(c), or if the Company does not enter into any contracts with respect to the Goods generated by the Representative by October 1, 2006, this Agreement shall terminate immediately.

(e) This Agreement shall be automatically renewed for successive one-year terms unless either party provides written notice of its election not to renew this Agreement at least 60 days prior to the expiration of the then current term, in which case the Agreement shall terminate upon expiration of such term.

3. Scope of Goods. At its sole discretion, upon 14 days prior written notice to the Representative, the Company may, from time to time:

(a) delete from Exhibit A any item described therein, the production of which has been discontinued or limited by the manufacturer thereof;

(b) substitute for any item described on Exhibit A the description of a similar item; and

(c) add to Exhibit A the description of any new item that is similar in kind to any item already described therein.

4. Selling Effort of Representative. The Representative shall make its best efforts to solicit orders for and generate contracts with respect to Goods in the Territory. In furtherance of such efforts, the Representative covenants that:

(a) it shall train its sales staff in the characteristics of the Goods, and shall make them available for training, if necessary, in accordance with Section 6;

(b) it shall not deal, directly or indirectly, in any merchandise identical or similar to the Goods, other than the Goods; and

(c) on or prior to March 31, 2005, it shall conduct formal meetings with and introduce the Company and the Goods to senior decision makers within the following agencies, organizations and companies in the Territory:

(i) Prime Minister's Office, Republic of India

(ii) Automotive Research Association of India

(iii) Bajaj Auto Ltd.

(iv) Tata Enterprises

(v) City of Delhi

(vi) Dr. Ashok Khosla (Development Alternatives Group)

5. Sales Policy.

(a) The Representative agrees that the Company, in its sole discretion, has the absolute right to establish, and change from time to time, all or any of the terms governing the sale of the Goods. Such terms shall include, but shall not be limited to, those concerning the price of the Goods, method and place of delivery and warranties thereon. The terms of sale of the Goods shall be as set forth in materials provided to the Representative by the Company from time to time. The Company, in its sole discretion, shall have the right to amend such terms from time to time by written notice to the Representative.

(b) The Representative shall make no representation or statement concerning the characteristics of the Goods that is not in conformity with the descriptions thereof that may from time to time be provided to the Representative by the Company. In the event that the Representative is uncertain concerning any term of sale or characteristics of the Goods, it shall immediately notify the Company thereof and shall be instructed by the Company on the matter in question.

6. Training, Advertising Material, Etc.

(a) The Company shall, at its expense and to the extent that it deems reasonably necessary, provide training and advice to the Representative and its agents and employees in connection with the characteristics of the Goods, the soliciting of orders therefor and similar matters.

(b) The Company shall, at its expense, provide the Representative with a reasonable number of the Company's brochures, order forms, advertising materials, samples and other information reasonably necessary for the Representative's performance hereunder. The Company shall not be required to provide materials in any language other than English.

(c) The Representative shall, at its expense, undertake reasonably to advertise the Goods by such means as it deems desirable (which may include, by way of illustration, trade journals, newspapers and participation in trade shows); provided that the Representative shall furnish in writing to the Company, no later than 21 days prior to initiating any form of advertising, a full written description thereof, and shall then follow any revisions thereto (which may include complete rejection) made in writing by the Company.

(d) The Representative may, in all appropriate places, identify itself as the authorized representative of the Company.

7. Handling and Acceptance of Orders and Payment Therefor.

(a) The Representative shall solicit orders for the Goods using the order form furnished for such purpose by the Company. Immediately upon obtaining an order from a customer, the Representative shall forward the order form thereof to the Company, retaining a copy for its own records. Each such order shall be subject to the acceptance or rejection of the Company in its sole discretion, and it is understood that the Company shall be under no obligation to accept any order. The Company shall notify the customer directly, with a copy to the Representative, of whether the order is accepted or rejected.

(b) When the Representative has obtained an order from a new customer, it shall, at its expense, check the credit rating of the customer by reasonable means and include a report thereon with the order form it forwards to the Company.

(c) Payment for all accepted orders shall be made directly from the customer to the Company. Invoicing, collection and all other matters connected with the sale of the Goods to the customer shall be the responsibility solely of the Company.

8. Compensation of the Representative.

(a) Royalties. In full consideration of all rights granted herein and all services to be performed hereunder, the Company will pay to the Representative royalties from revenues derived from contracts with customers located in the Territory generated by the Representative.

(i) The Representative shall be paid a royalty equal to 2% of Gross Receipts from revenues derived from contracts with customers located in the Territory generated by the Representative.

(ii) "Gross Receipts" shall mean 100% of all sums received by or credited to the Company and its affiliates from unrelated third parties from revenues derived from contracts with customers located in the Territory generated by the Representative. Gross Receipts shall be deemed to exclude sums received by the Company and/or its affiliates which represent sales taxes, value added taxes, excise taxes, and similar taxes which are collected by the Company and its affiliates as required by any requisite taxing authorities of any government, but limited to the extent that such taxes are paid and not returned or credited to the Company or an affiliate. Gross Receipts shall also be deemed to exclude foreign currencies to the extent any foreign licensing society or organization collects or withholds any portion thereof on behalf of or for the benefit of the Company. With respect to foreign currencies received by the Company and its affiliates in connection herewith, it is agreed and understood that such sums received shall be included in Gross Receipts hereunder, whether or not such sums have been received in U.S. dollars in the United States, and whether or not such sums which are capable of being remitted to the United States have yet been remitted. Gross Receipts are not subject to retroactive adjustments for returns, refunds, credits, settlements, rebates and discounts.

(iii) Royalties shall be payable pursuant to this Section 8(a) during the period beginning on the date of this Agreement and ending on the date occurring ten years thereafter.

(iv) All amounts payable to the Representative pursuant to this Section 8(a) shall be paid by the Company no later than 30 days after the end of each calendar quarter in respect of the applicable Gross Receipts amounts actually received by the Company in such quarter. A statement of account prepared by the Company shall accompany each such payment to the Representative.

(b) Warrants. Subject to compliance with applicable securities laws, the Company shall issue to the Representative warrants to purchase an aggregate of 50,000 shares of common stock of the Company on the date hereof. Such warrants shall have a term of five years and have an exercise price of $1.00 per share. In addition, subject to compliance with applicable securities laws, the Company shall issue to the Representative additional warrants to purchase an aggregate of 50,000 shares of common stock of the Company on March 31, 2005, provided that the Representative has fulfilled its obligations set forth in Section 4(c). Such additional warrants shall have a term of five years and have an exercise price of $___*___per share.

*Weighted average of shares price from January 1, 2005 through March 31, 2005 discounted by 30% .

(c) Advances for Travel Expenses. The Company shall advance the sum of $10,000 in U.S. dollars to the Representative to be used by the Representative for travel expenses to the Territory. Such amounts advanced shall be credited against royalties payable to the Representative pursuant to Section 8(a).

9. Orders Directly to the Company and Payments Directly to the Representative.

(a) If an order for the Goods from a customer located in the Territory is made directly from such customer to the Company, the Company shall notify the Representative thereof. If such order is accepted by the Company, any revenue amounts actually received in respect thereof by the Company for delivery in the Territory shall be subject to a royalty payable to the Representative in accordance with Section 8.

(b) In the event that any customer for the Goods whose order has been accepted by the Company makes payment therefore to the Representative rather than to the Company, the Representative shall immediately forward such payment to the Company.

10. Reports. Every three months commencing with the date hereof, the Representative shall make a report to the Company concerning (i) its activities under this Agreement from the date of the last such report to the date of the report in question and (ii) the proposed activities of the Representative hereunder for the following three months. In addition, the Representative shall notify the Company at once concerning any major development in the Territory with respect to the sale of the Goods.

11. Nondisclosure. Without the express prior written consent of the Company, the Representative shall not reveal to any third party any information of the Company that is identified by the Company as being of a confidential or proprietary nature (the "Confidential Information"). Confidential Information may be used by the Representative only with respect to performance of its obligations under this Agreement, and only by those employees of the Representative who have a need to know such information for the purposes related to this

Agreement. The Representative shall protect the Confidential Information by using the same degree of care (but no less than a reasonable degree of care) to prevent the unauthorized use, dissemination or publication of such Confidential Information that the Company uses. The Representative's obligation with respect to any Confidential Information under this Section 11 shall be for a period of 10 years after the date the Confidential Information is received by the Representative.

12. No Servicing by Representative. It is understood by the Representative that it is not authorized by this Agreement to perform servicing of any kind upon any Goods in the Territory or elsewhere, absent the express prior written approval of the Company.

13. Termination.

(a) The Company shall have the right to terminate this Agreement effective immediately by written notice to the Representative if:

(i) the Representative engages in any conduct which threatens injury to the good name and reputation of the Company;

(ii) the Company has reasonable grounds to believe that the Representative will be unable, whether because of financial difficulty or otherwise, to fulfill satisfactorily its obligations under this Agreement;

(iii) the Representative fails to conduct its business in accordance with all applicable laws or regulations.

(b) Either party to this Agreement may terminate this Agreement effectively immediately upon written notice if the other party becomes insolvent, discontinues its business, has a receiver appointed for it, any petition is filed by or against it in accordance with the bankruptcy laws, or any assignment is made by it for the benefit of creditors.

(c) In the event either party to this Agreement shall fail to perform or fulfill any of its responsibilities as set forth herein, the other party may notify such defaulting party of the matter in breach and if such matter is not cured within 30 days after receipt of such notice the complaining party may by further written notice immediately terminate this Agreement.

(d) Either party may terminate this Agreement in its sole discretion by giving to the other party no less than 90 days written notice thereof.

14. Effect of Termination. If this Agreement terminates for any reason whatsoever, the Representative shall no longer be the sales representative of the Company for the Goods in the Territory, effective on the date of such termination. The Representative shall immediately upon termination return to the Company all Confidential Information within its possession, including any documents of a confidential or proprietary nature concerning the Goods which it has in its possession and all forms, brochures and samples pertaining to the Goods. The Representative shall cease to identify itself as an authorized sales representative of the Company

and shall give notice to all publications that list the Representative as such that such listing is to be discontinued as soon as possible. Any and all amounts due to the Representative pursuant to this Agreement in respect of orders that were placed prior to the date of termination shall be paid to the Representative pursuant to the manner described in Section 8. The Representative understands that upon termination of this Agreement, the Company may, in its discretion, notify customers and potential customers in the Territory that the Representative is longer the representative of the Company in the Territory, and the Representative agrees that any orders for the Goods that it receives after such termination shall be immediately forwarded by it to the Company.

15. Applicable Law. This Agreement shall be construed in accordance with, and shall be governed by, the laws of the State of California.

16. Counterparts. This Agreement may be executed in one or more counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument.

17. Amendments. The provisions of this Agreement may be waived, altered, amended or repealed in whole or in part only on the written consent of all the parties to this Agreement.

18. Notice. All notices, demands, and other communications under this Agreement shall be in writing and shall be deemed to have been duly given (i) on the date of delivery if delivered in person to the party to whom such notice is given, (ii) on the date such notice is posted by mail, postage prepaid, registered mail, properly addressed to the party receiving such notice, or (iii) upon the date of telex transmission, if by telex. Any notices hereunder shall be sent to the following addresses and telex numbers or such other addresses or telex numbers as may be designated by a party in writing from time to time in accordance with the procedure stated herein:

If to the Company:

Save the World Air, Inc.
5125 Lankershim Boulevard
North Hollywood, CA 91601
Facsimile: 818-487-8003
Attention: Eugene Eichler

If to the Representative:

Dr. Gurminder Singh
_____
_____
Facsimile: _____

19. Divisibility. If any of the terms, provisions, covenants or conditions of this Agreement is held by a court of competent jurisdiction to be invalid, void, or unenforceable, the remainder of the provisions shall remain in full effect and shall in no way be affected, impaired or invalidated.

20. Final Agreement of the Parties. This Agreement supersedes and terminates any and all prior agreements or contracts, written or oral, entered into between the parties hereto with respect to the subject matter hereof.

21. Assignment. This Agreement may not be assigned by the Representative, in whole or in part, to any other party without the express written consent of the Company.

22. Headings. The Section headings in this Agreement are for convenience of reference only and shall have no bearing on the enforcement or interpretation of this Agreement.

23. Waiver. No waiver, forbearance or failure by either party of its rights to enforce any provision of this Agreement shall constitute a waiver or estoppel of such party's right to enforce such provision thereafter or to enforce any other provision of this Agreement.

24. Jurisdiction. The parties hereby unconditionally and irrevocably agree that the state and federal courts of California and any California or federal court competent to hear appeals therefrom shall have the exclusive jurisdiction over any and all actions arising out of or in relation to this Agreement, or for the breach hereof.

25. Relationship of the Parties. The Representative is not an employee of the Company for any purpose whatsoever, but is an independent contractor. The parties, by this Agreement, have not entered into any form of joint venture or any other mutual enterprise, other than the rendering by the Representative of the services for the Company in accordance with the terms hereof. All expenses and disbursements, including, but not limited to, those for travel and maintenance, entertainment, office, clerical, and general selling expenses, that may be incurred by the Representative in connection with this Agreement shall be born wholly and completely by the Representative, and the Company shall not be in any way responsible or liable therefore. The Representative does not have, nor shall it hold itself out as having, any right, power, or authority to create any contract or obligation, either expressed or implied, on behalf, in the name of, or binding upon the Company. Any and all agents and employees of the Representative shall be at the Representative's own risk, expense and supervision, and the agents and employees of the Representative shall not have any claim against the Company for salaries, commissions, items of cost, or any other form of compensation. The Representative shall indemnify and hold the Company harmless from any cost and liability caused by any unauthorized act of the Representative, its agents or employees.

[remainder of page intentionally left blank]

IN WITNESS WHEREOF, the parties have executed this Agreement on the day and year first written above.

"Company"

SAVE THE WORLD AIR, INC.

By: /s/ Eugene E. Eichler
Name: Eugene E. Eichler
Title: President

"Representative"

/s/ Gurminder Singh
Dr. Gurminder Singh Sept. 28th,2004

Exhibit A

Description of the Goods

1. ZEFS devices

2. CAT-MATE devices

Exhibit 10.31

ADVISORY SERVICES AGREEMENT

This Advisory Services Agreement (this "**Agreement**") is made and entered into as of this ___day of August, 2002, by and between **Save The World Air, Inc.**, a Nevada corporation (the "**Company**") and **Bobby Unser, Jr.** ("**Advisor**"), with reference to the following facts.

RECITALS

A. The Company has certain rights to a proprietary technology (the **"Technology**") for a product known as the Zero Emissions Fuel Saving device ("**ZEFS Device**") that is intended to be used on motor vehicles to reduce pollution and improve fuel efficiency. The Company desires to further develop the Technology and market and sell the ZEFS Device.

B. Advisor is well known to the public and associated with automobile racing and products. The Company desires to engage Advisor, and Advisor desires to serve the Company, in an advisory capacity on and subject to the terms of this Agreement.

THEREFORE, the Company and Advisor hereby agree as follows:

Section 1. Scope of Services Provided.

1.1 Advisor shall provide advice, counsel and support to the Company's Board of Directors and management on an as-needed basis, by telephone or in person, in matters relating to the Company's business, including product development, marketing and promotion, and other matters concerning the ZEFS Device as the Company may reasonably request from time to time during the term of this Agreement. Advisor also agrees to serve on the "Advisory Board" which shall report to the Company's Board of Directors.

1.2 Advisor agrees to appear at not less than two events per year during the term of this Agreement subject to Advisor's prior commitments, schedule and availability, and at such other times as may be mutually agreed, to assist and support the Company in promoting the ZEFS Device.

Section 2. Compensation; Expenses.

2.1 As soon as practicable following the parties execution of this Agreement, the Company shall issue to Advisor 50,000 shares of the Company's common stock, par value $.001 per share (the "Stock"). The Stock shall be deemed to have a value of $.001 per share. Advisor shall execute and deliver to the Company a subscription agreement substantially in the form attached hereto in Annex A, the provisions of which are incorporated herein by this reference.

2.2 The Company shall reimburse Advisor for all reasonable and necessary out-of-pocket expenses incurred by Advisor in performing the services requested by the Company hereunder, including without limitation travel, meals, accommodations and phone charges, subject to Advisor's presentation to the Company of receipts for such charges, in accordance with the Company's practices and policies as adopted or approved from time to time.

Section 3. Non-Disclosure Obligations.

Advisor acknowledges that the Technology is proprietary and agrees to execute a standard confidentiality agreement substantially in the form attached hereto in Annex B, the provisions of which are incorporated herein by this reference.

Section 4. Use of Advisor's Name and Likeness.

4.1 The Company will not use Advisor's name or likeness in any advertising or marketing/promotional material without Advisor's prior written approval or consent, which shall not be unreasonably withheld. Except as may be expressly agreed to by the parties hereto in writing, the Company shall acquire no ownership or rights in or to Advisor's name or likeness that by its use or incorporation in any company advertising or promotional materials other than the right to use, duplicate and distribute such name or likeness as and to the extent to which Advisor may have previously consented.

4.2 The Company may identify Advisor as member of the Company's Advisory Board and may make such disclosures as may be necessary or advisable to comply with federal securities laws, including without limitation disclosures in filings with the Securities and Exchange Commission or press releases as to: (1) the terms of this Agreement; (2) the appointment of Advisor to the Company's Advisory Board; and (3) Advisor's Stock ownership.

Section 5. Miscellaneous Provisions.

5.1 Term. The initial term of this Agreement is one year from the effective date of this Agreement. This Agreement shall renew automatically from year to year unless terminated by either party by giving the other not less than thirty (30) days' prior written notice of its election to terminate this Agreement.

5.2 Counterparts. This Agreement may be executed in any number of counterparts, each of which shall be deemed to be an original, and all such counterparts when taken together shall be deemed to be but one and the same instrument.

5.3 Governing Law. This Agreement shall be governed by, and construed and enforced in accordance with, the laws of the State of California.

IN WITNESS WHEREOF, the parties hereto have executed or caused their respective duly authorized officer to execute this Agreement as of the date first set forth above.

ADVISOR

By: /s/ Bobby Unser Jr.
Bobby Unser, Jr.

SAVE THE WORLD AIR, INC.

By: /s/ Eugene E. Eichler
Name: Eugene E. Eichler
Title: Chief Operating Officer

ANNEX A

SUBSCRIPTION AGREEMENT

SAVE THE WORLD AIR, INC.

The undersigned hereby proposes to acquire Common Stock of Save the World Air, Inc., a Nevada corporation (the "Company").

The undersigned understands that the shares of Common Stock are being offered and sold without registration under the Securities Act of 1933, as amended (the "Act"), in reliance upon the private placement exemption contained in Sections 4(2) and 4(6) of the Act, and Regulation D promulgated thereunder, and that such reliance is based on the undersigned's representations set forth below.

To induce the Company to accept this subscription and issue and deliver the Common Stock, the undersigned agrees, warrants, and represents as follows:

1. This offer is irrevocable until both parties execution and delivery of that certain Advisory Service Agreement to which this subscription is a part and is subject to acceptance or rejection by The Company in its sole discretion.

2. The undersigned is acquiring the Common Stock for investment for his or her own account, and not with a view toward distribution thereof, and with no present intention of dividing his or her interest with others or reselling or otherwise disposing of all or any portion of the Common Stock. The undersigned has not offered or sold a participation in this purchase of Common Stock, and will not offer or sell the Common Stock or interest therein or otherwise, in violation of the Act. The Undersigned further acknowledges that he or she does not have in mind any sale of the Common Stock currently or after the passage of a fixed or determinable period of time or upon the occurrence or non-occurrence of any predetermined events or consequence; and that he or she has no present or contemplated agreement, undertaking, arrangement, obligation, indebtedness or commitment providing for or which is likely to compel a disposition of the Common Stock and is not aware of any circumstances presently in existence that are likely in the future to prompt a disposition of the Common Stock.

3. The undersigned acknowledges that the shares of Common Stock have been offered to him or her in direct communication between himself or herself and the Company or through registered broker-dealers and not through any advertisement of any kind.

4. The undersigned acknowledges that he or she has read or has had access to all of the Company's filings with the Securities and Exchange Commission under the Securities Exchange Act of 1934, as amended, that the Company has not timely filed its annual report of Form 10-KSB nor does it have current audited financial statements, that the offer and sale of Common Stock to the undersigned were based on the representations and warranties of the undersigned in this Subscription Agreement, and acknowledges that he or she has been encouraged to seek his or her own legal and financial counsel to assist him or her in evaluating this investment. The undersigned acknowledges that the Company has given him or her and all of his or her counselors access to all information relating to the Company's business that they or any one of them has requested. The undersigned acknowledges that he or she has sufficient knowledge, financial and business experience concerning the affairs and conditions of the Company so that he or she can make a reasoned decision as to this investment in the Company and is capable of evaluating the merits and risks of this investment. Based on the foregoing, the undersigned hereby agrees to indemnify the Company thereof and to hold each of such persons and entities, 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 such warranties of the undersigned, or arising as a result of the sale or distribution of the Common Stock by the undersigned in violation of the Act, the Securities Exchange Act of 1934, as amended, or any other applicable law, either federal or state. This subscription and the representations and warranties contained herein shall be binding upon the heirs, legal representatives, successors and assigns of the undersigned.

5. (a) The undersigned is aware of the restrictions of transferability of the Common Stock and further understands and acknowledges that any certificates evidencing the Common Stock will bear the following legends, to which such interests will be subject:

> **THE SHARES EVIDENCED BY THIS CERTIFICATE HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED, OR QUALIFIED FOR SALE UNDER ANY STATE SECURITIES LAWS (COLLECTIVELY, "SECURITIES LAWS") AND MAY NOT BE OFFERED, SOLD OR OTHERWISE TRANSFERRED UNLESS REGISTERED OR QUALIFIED FOR SALE UNDER ALL APPLICABLE SECURITIES LAWS OR UNLESS, IN THE OPINION OF COUNSEL SATISFACTORY TO THE ISSUER, IN FORM AND SUBSTANCE SATISFACTORY TO THE ISSUER, ANY SUCH OFFER, SALE OR OTHER TRANSFER IS EXEMPT FROM THE REGISTRATION OR QUALIFICATION REQUIREMENTS OF SUCH SECURITIES LAWS.**

(b) The undersigned understands that following the purchase of the Common Stock, the Common Stock may only be disposed of pursuant to either (i) an effective registration statement under the Act, or (ii) an exemption from the registration requirements of the Securities Act of 1933.

(c) The Company has neither filed such a registration statement with the SEC or any state authorities nor agreed to do so, nor contemplates doing so in the future for this offering of Common Stock, and in the absence of such a registration statement or exemption, the undersigned may have to hold the Common Stock indefinitely and may be unable to liquidate them in case of an emergency.

(d) The undersigned acknowledges that the Company is not obligated and does not propose to furnish the undersigned with information necessary to enable it to be able to make sales under Rule 144 of the Securities Act of 1933.

6. The undersigned represents that he or she is a resident of U.S.A. and makes the following representation:

I, THE UNDERSIGNED, REPRESENT THAT I HAVE A PRE-EXISTING PERSONAL OR BUSINESS RELATIONSHIP WITH THE COMPANY, ANY OFFICER, DIRECTOR OR CONTROLLING PERSON THEREOF OR HAVE, THROUGH MYSELF OR THROUGH MY UNAFFILIATED PROFESSIONAL ADVISER, THE BUSINESS OR FINANCIAL EXPERIENCE TO PROTECT MY INTERESTS IN CONNECTION WITH MY SUBSCRIPTION HERETO.

FURTHER, I AM PURCHASING THE COMMON STOCK OFFERED HEREBY FOR INVESTMENT AND NOT WITH A VIEW TOWARD DISTRIBUTION THEREOF.

7. This Subscription Agreement has been delivered in, and shall be construed in accordance with the laws of the State of California. Subject to the provisions of the paragraph immediately following, any action in connection with this Subscription Agreement shall be brought in the appropriate state or federal court in and for the County of Los Angeles, State of California, which shall have exclusive jurisdiction over such action.

Executed as of this
day of August , 2002

By: /s/ Bobby Unser Jr.
Bobby Unser Jr.

• *
• * * * * * * * * * * * * * * * * *

The above and foregoing Subscription accepted this 5 day of September 2002.

Save the World Air, Inc.
a Nevada corporation

By: Eugene E. Eichler
Its: Chief Operating Officer

ANNEX B
Confidentiality Agreement

August , 2002

STRICTLY PRIVATE AND CONFIDENTIAL

BY FACSIMILE
Save the World Air, Inc.
29229 Canwood Street, Suite 206
Agoura Hills, California 91301

Attention: Eugene E. Eichler, Chief Financial Officer

Gentlemen:

In connection with the advisory services that you have asked me to provide to Save the World Air, Inc. (the "**Company**") as a member of its Advisory Board, I may be provided and/or have access to technical and other information concerning the Company and its proprietary technology (the "Technology") for a product known as the Zero Pollution-Fuel Saving Device ("ZERO Device") that can be used on motor vehicles to reduce pollution and improve fuel efficiency. As a condition to my being furnished such information, I agree to treat any information concerning the Technology (including without limitation all specifications, designs, processes, concepts, ideas, strategic plans, product development plans, research and development, information about the Company's operations, finances, reports, interpretations, forecasts and records, and any analyses, compilations, studies or other documents, whether prepared by the Company or others, that contain or reflect such information (collectively, the "**Confidential Information**") in accordance with the provisions of this letter. The term "**Confidential Information**" does not include information which (a) was or becomes generally available to the public other than as a result of a disclosure by me or my agents or advisors, (b) was or becomes available to me on a non-confidential basis from a source other than the Company or its advisors provided that such source is not bound by a confidentiality agreement with the Company, (c) was within my possession prior to its being furnished to me by or on behalf of the Company, provided that the source of such information was not bound by a confidentiality agreement with the Company in respect thereof.

By this letter, I agree that the Confidential Information will be used solely for the purposes in furtherance of my advisory services to the Company and will not be used by me in any way detrimental to the Company. I also agree that the Confidential Information will be kept confidential by me, my agents and employees; *provided, however*, that (i) any such information may be disclosed to my agents and employees who need to know such information for the purpose of providing the advisory services (it being understood that such persons shall be informed by me of the confidential nature of such information and shall be directed by me to treat such information confidentially and shall assume the same obligations as I under this letter) and (ii) any disclosure of such information may be made to which the Company consents in writing. I shall be responsible for any breach of this letter by my agents or employees.

In the event I am required by legal process to disclose any of the Confidential Information, I shall provide you with prompt notice of such requirement so that you may seek a protective order or other appropriate remedy or waive compliance with the provisions of this letter. In the event that a protective order or other remedy is obtained, I shall use all reasonable efforts to assure that all Confidential Information disclosed will be covered by such order or other remedy. Whether such protective order or other remedy is obtained or the Company waives compliance with the provisions of this letter, I will disclose only that portion of the Confidential Information that I am legally required to disclose. This letter shall be governed by laws of California, U.S.A, in all respects.

* * *

Very truly yours,

/s/ Bobby Unser , Jr.
Bobby Unser , Jr.

Exhibit 10.32

ADVISORY SERVICES AGREEMENT

This Advisory Services Agreement (this "**Agreement**") is made and entered into as of this ___day of August, 2002, by and between **Save the World Air, Inc.**, a Nevada corporation (the "**Company**") and **Jack Reader** ("**Advisor**"), with reference to the following facts.

RECITALS

A. The Company has certain rights to a proprietary technology (the **"Technology**") for a product known as the Zero Emissions Fuel Saving device ("**ZEFS Device**") that is intended to be used on motor vehicles to reduce pollution and improve fuel efficiency. The Company desires to further develop the Technology and market and sell the ZEFS Device.

B. Advisor is a well respected international systems engineer. The Company desires to engage Advisor, and Advisor desires to serve the Company, in an advisory capacity on and subject to the terms of this Agreement.

THEREFORE, the Company and Advisor hereby agree as follows:

Section 1. Scope of Services Provided.

1.1 Advisor shall provide advice, counsel and support to the Company's Board of Directors and management on an as-needed basis, by telephone or in person, in matters relating to the Company's business, including product development, marketing and promotion, and other matters concerning the ZEFS Device as the Company may reasonably request from time to time during the term of this Agreement. Advisor also agrees to serve on the "Advisory Board" which shall report to the Company's Board of Directors.

1.2 Advisor agrees to appear at not less than two events per year during the term of this Agreement subject to Advisor's prior commitments, schedule and availability, and at such other times as may be mutually agreed, to assist and support the Company in promoting the ZEFS Device.

Section 2. Compensation; Expenses.

2.1 As soon as practicable following the parties execution of this Agreement, the Company shall issue to Advisor 50,000 shares of the Company's common stock, par value $.001 per share (the "Stock"). The Stock shall be deemed to have a value of $.001 per share. Advisor shall execute and deliver to the Company a subscription agreement substantially in the form attached hereto in Annex A, the provisions of which are incorporated herein by this reference.

2.2 The Company shall reimburse Advisor for all reasonable and necessary out-of-pocket expenses incurred by Advisor in performing the services requested by the Company hereunder, including without limitation travel, meals, accommodations and phone charges, subject to Advisor's presentation to the Company of receipts for such charges, in accordance with the Company's practices and policies as adopted or approved from time to time.

Section 3. Non-Disclosure Obligations.

Advisor acknowledges that the Technology is proprietary and agrees to execute a standard confidentiality agreement substantially in the form attached hereto in Annex B, the provisions of which are incorporated herein by this reference.

Section 4. Use of Advisor's Name and Likeness.

4.1 The Company will not use Advisor's name or likeness in any advertising or marketing/promotional material without Advisor's prior written approval or consent, which shall not be unreasonably withheld. Except as may be expressly agreed to by the parties hereto in writing, the Company shall acquire no ownership or rights in or to Advisor's name or likeness that by its use or incorporation in any company advertising or promotional materials other than the right to use, duplicate and distribute such name or likeness as and to the extent to which Advisor may have previously consented.

4.2 The Company may identify Advisor as member of the Company's Advisory Board and may make such disclosures as may be necessary or advisable to comply with federal securities laws, including without limitation disclosures in filings with the Securities and Exchange Commission or press releases as to: (1) the terms of this Agreement; (2) the appointment of Advisor to the Company's Advisory Board; and (3) Advisor's Stock ownership.

Section 5. Miscellaneous Provisions.

5.1 Term. The initial term of this Agreement is one year from the effective date of this Agreement. This Agreement shall renew automatically from year to year unless terminated by either party by giving the other not less than thirty (30) days' prior written notice of its election to terminate this Agreement.

5.2 Counterparts. This Agreement may be executed in any number of counterparts, each of which shall be deemed to be an original, and all such counterparts when taken together shall be deemed to be but one and the same instrument.

5.3 Governing Law. This Agreement shall be governed by, and construed and enforced in accordance with, the laws of the State of California.

IN WITNESS WHEREOF, the parties hereto have executed or caused their respective duly authorized officer to execute this Agreement as of the date first set forth above.

ADVISOR

By: /s/ JACK READER
Jack Reader

SAVE THE WORLD AIR, INC.

By: /s/ EUGENE E. EICHLER
Name: Eugene E. Eichler
Title: Chief Operating Officer

ANNEX A
Subscription Agreement

SUBCRIPTION AGREEMENT

SAVE THE WORLD AIR, INC.

The undersigned hereby proposes to acquire Common Stock of Save the World Air, Inc., a Nevada corporation (the "Company").

The undersigned understands that the shares of Common Stock are being offered and sold without registration under the Securities Act of 1933, as amended (the "Act"), in reliance upon the private placement exemption contained in Sections 4(2) and 4(6) of the Act, and Regulation D promulgated thereunder, and that such reliance is based on the undersigned's representations set forth below.

To induce the Company to accept this subscription and issue and deliver the Common Stock, the undersigned agrees, warrants, and represents as follows:

1. This offer is irrevocable until both parties execution and delivery of that certain Advisory Services Agreement to which this subscription is a part and is subject to acceptance or rejection by the Company in its sole discretion.

2. The undersigned is acquiring the Common Stock for investment for his or her own account, and not with a view toward distribution thereof, and with no present intention of dividing his or her interest with others or reselling or otherwise disposing of all or any portion of the Common Stock. The undersigned has not offered or sold a participation in this purchase of Common Stock, and will not offer or sell the Common Stock or interest therein or otherwise, in violation of the Act. The Undersigned further acknowledges that he or she does not have in mind any sale of the Common Stock currently or after the passage of a fixed or determinable period of time or upon the occurrence or non-occurrence of any predetermined events or consequence; and that he or she has no present or contemplated agreement, undertaking, arrangement, obligation, indebtedness or commitment providing for or which is likely to compel a disposition of the Common Stock and is not aware of any circumstances presently in existence that are likely in the future to prompt a disposition of the Common Stock.

4. The undersigned acknowledges that the shares of Common Stock have been offered to him or her in direct communication between himself or herself and the Company or through registered broker-dealers and not through any advertisement of any kind.

5. The undersigned acknowledges that he or she has read or has had access to all of the Company's filings with the Securities and Exchange Commission under the Securities Exchange Act of 1934, as amended, that the Company has not timely filed its annual report of Form 10-KSB nor does it have current audited financial statements, that the offer and sale of Common Stock to the undersigned were based on the representations and warranties of the undersigned in this Subscription Agreement, and acknowledges that he or she has been encouraged to seek his or her own legal and financial counsel to assist him or her in evaluating this investment. The undersigned acknowledges that the Company has given him or her and all of his or her counselors access to all information relating to the Company's business that they or any one of them has requested. The undersigned acknowledges that he or she has sufficient knowledge, financial and business experience concerning the affairs and conditions of the Company so that he or she can make a reasoned decision as to this investment in the Company and is capable of evaluating the merits and risks of this investment. Based on the foregoing, the undersigned hereby agrees to indemnify the Company thereof and to hold each of such persons and entities, 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 such warranties of the undersigned, or arising as a result of the sale or distribution of the Common Stock by the undersigned in violation of the Act, the Securities Exchange Act of 1934, as amended, or

any other applicable law, either federal or state. This subscription and the representations and warranties contained herein shall be binding upon the heirs, legal representatives, successors and assigns of the undersigned.

6. The undersigned acknowledges that he or she is able to bear, and understands, the economic risks of the proposed investment and all other risks of the Company's business.

The undersigned represents that he or she is:

An Accredited Investor, as that term is defined by Regulation D of the Securities and Exchange Commission, which means any investor meeting at least one of the following conditions:

(i) Any natural person whose individual net worth (or joint net worth with that person's spouse, if applicable) at the time of purchase exceeds $1,000,000; or

(ii) Any natural person who had an individual income in excess of $200,000 or joint income with that person's spouse in excess of $300,000 in each of the two most recent years and who reasonably expects an income in excess of $200,000 or joint income with that person's spouse in excess of $300,000 in the current year; or

(iii) Any other Accredited Investor as that term is defined in Regulation D as adopted by the Securities and Exchange Commission.

8. (a) The undersigned is aware of the restrictions of transferability of the Common Stock and further understands and acknowledges that any certificates evidencing the Common Stock will bear the following legends, to which such interests will be subject:

THE SHARES EVIDENCED BY THIS CERTIFICATE HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED, OR QUALIFIED FOR SALE UNDER ANY STATE SECURITIES LAWS (COLLECTIVELY, "SECURITIES LAWS") AND MAY NOT BE OFFERED, SOLD OR OTHERWISE TRANSFERRED UNLESS REGISTERED OR QUALIFIED FOR SALE UNDER ALL APPLICABLE SECURITIES LAWS OR UNLESS, IN THE OPINION OF COUNSEL SATISFACTORY TO THE ISSUER, IN FORM AND SUBSTANCE SATISFACTORY TO THE ISSUER, ANY SUCH OFFER, SALE OR OTHER TRANSFER IS EXEMPT FROM THE REGISTRATION OR QUALIFICATION REQUIREMENTS OF SUCH SECURITIES LAWS.

(b) The undersigned understands that following the purchase of the Common Stock, the Common Stock may only be disposed of pursuant to either (i) an effective registration statement under the Act, or (ii) an exemption from the registration requirements of the Securities Act of 1933.

(c) The Company has neither filed such a registration statement with the SEC or any state authorities nor agreed to do so, nor contemplates doing so in the future for this offering of Common Stock, and in the absence of such a registration statement or exemption, the undersigned may have to hold the Common Stock indefinitely and may be unable to liquidate them in case of an emergency.

(d) The undersigned acknowledges that the Company is not obligated and does not propose to furnish the undersigned with information necessary to enable it to be able to make sales under Rule 144 of the Securities Act of 1933.

9. The undersigned represents that he or she is a resident of Massachusetts and makes the following representation:

I, THE UNDERSIGNED, REPRESENT THAT I HAVE A PRE-EXISTING PERSONAL OR BUSINESS RELATIONSHIP WITH THE COMPANY, ANY OFFICER, DIRECTOR OR CONTROLLING PERSON THEREOF OR HAVE, THROUGH MYSELF OR THROUGH MY UNAFFILIATED PROFESSIONAL ADVISER, THE BUSINESS OR FINANCIAL EXPERIENCE TO PROTECT MY INTERESTS IN CONNECTION WITH MY SUBSCRIPTION HERETO.

FURTHER, I AM PURCHASING THE COMMON STOCK OFFERED HEREBY FOR INVESTMENT

AND NOT WITH A VIEW TOWARD DISTRIBUTION THEREOF.

10. This Subscription Agreement has been delivered in, and shall be construed in accordance with the laws of the State of California. Subject to the provisions of the paragraph immediately following, any action in connection with this Subscription Agreement shall be brought in the appropriate state or federal court in and for the County of Los Angeles, State of California, which shall have exclusive jurisdiction over such action.

* *

* * * * * * * * * * * * * *

Executed as of this 16, day of September, 2002.

Save the World Air, Inc.
a California corporation

By /s/ Jack Reader
Its Jack Reader

The above and foregoing Subscription accepted this ___day of _____, 2002

Save the World Air, Inc.
A Nevada corporation

By: /s/ Eugene E. Eichler
Its: Eugene E. Eichler

ANNEX B
Confidentiality Agreement

August ,2002

STRICTLY PRIVATE AND CONFIDENTIAL

BY FACSIMILE
Save the World Air, Inc.
29229 Canwood Street, Suite 206
Agoura Hills, California 91301

Attention: Eugene E. Eichler, Chief Financial Officer

Gentlemen:

In connection with the advisory services that you have asked me to provide to Save the World Air, Inc. (the "**Company**") as a member of its Advisory Board, I may be provided and/or have access to technical and other information concerning the Company and its proprietary technology (the "Technology") for a product known as the Zero Pollution-Fuel Saving Device ("ZERO Device") that can be used on motor vehicles to reduce pollution and improve fuel efficiency. As a condition to my being furnished such information, I agree to treat any information concerning the Technology (including without limitation all specifications, designs, processes, concepts, ideas, strategic plans, product development plans, research and development, information about the Company's operations, finances, reports, interpretations, forecasts and records, and any analyses, compilations, studies or other documents, whether prepared by the Company or others, that contain or reflect such information (collectively, the "**Confidential Information**") in accordance with the provisions of this letter. The term "**Confidential Information**" does not include information which (a) was or becomes generally available to the public other than as a result of a disclosure by me or my agents or advisors, (b) was or becomes available to me on a non-confidential basis from a source other than the Company or its advisors provided that such source is not bound by a confidentiality agreement with the Company, (c) was within my possession prior to its being furnished to me by or on behalf of the Company, provided that the source of such information was not bound by a confidentiality agreement with the Company in respect thereof.

By this letter, I agree that the Confidential Information will be used solely for the purposes in furtherance of my advisory services to the Company and will not be used by me in any way detrimental to the Company. I also agree that the Confidential Information will be kept confidential by me, my agents and employees; *provided, however*, that (i) any such information may be disclosed to my agents and employees who need to know such information for the purpose of providing the advisory services (it being understood that such persons shall be informed by me of the confidential nature of such information and shall be directed by me to treat such information confidentially and shall assume the same obligations as I under this letter) and (ii) any disclosure of such information may be made to which the Company consents in writing. I shall be responsible for any breach of this letter by my agents or employees.

I shall promptly redeliver to the Company all written material containing or reflecting any information contained in the Confidential Information (whether prepared by the Company or

otherwise) if I choose not to proceed with the advisory services, and shall not retain any copies, extracts, or other reproductions in whole or in part of such written material. All documents, memoranda, notes, and other writings whatsoever, prepared by me or my advisors based on the information contained in the Confidential Information shall be destroyed, and such destruction shall be certified in writing to the Company by an authorized officer supervising such destruction.

In the event I am required by legal process to disclose any of the Confidential Information, I shall provide you with prompt notice of such requirement so that you may seek a protective order or other appropriate remedy or waive compliance with the provisions of this letter. In the event that a protective order or other remedy is obtained, I shall use all reasonable efforts to assure that all Confidential Information disclosed will be covered by such order or other remedy. Whether such protective order or other remedy is obtained or we waive compliance with the provisions of this letter, I will disclose only that portion of the Confidential Information that I am legally required to disclose.

No failure or delay by the Company in exercising any right, power or privilege under this letter shall operate as a waiver thereof nor shall any single or partial exercise thereof preclude any other or further exercise of any right, power or privilege. If there should arise any conflict between the terms of this letter agreement and any other agreement concerning the advisory services, the provisions of this letter agreement shall control. This letter shall be governed by laws of California, U.S.A, in all respects. Any assignment of this letter by me without our prior written consent shall be void.

I certify that no Confidential Information, or any portion thereof, will be exported to any country in violation of the United States Export Administration Act and regulations thereunder. I hereby further certify that I am not a resident of any of the following countries: Iraq, Iran, Libya, North Korea, Syria, Laos, Mongolian People's Republic, Cuba, Cambodia, North Korea, Nicaragua, or the People's Republic of China.

* * *

Very truly yours,

/s/ Jack Reader

Exhibit 10.33

ADVISORY SERVICES AGREEMENT

This Advisory Services Agreement (this "**Agreement**") is made and entered into as of this ___th day of August, 2002, by and between **Save The World Air, Inc.**, a Nevada corporation (the "**Company**") and **Nate Sheldon** ("**Advisor**"), with reference to the following facts.

RECITALS

A. The Company has certain rights to a proprietary technology (the **"Technology**") for a product known as the Zero Pollution-Fuel Saving Device ("**ZERO Device**") that can be used on motor vehicles to reduce pollution and improve fuel efficiency. The Company desires to further develop the Technology and market and sell the ZERO Device.

B. Advisor is well known to the industry in the Company's business. The Company desires to engage Advisor, and Advisor desires to serve the Company, in an advisory capacity on and subject to the terms of this Agreement.

THEREFORE, the Company and Advisor hereby agree as follows:

Section 1. Scope of Services Provided.

1.1 Advisor shall provide advice, counsel and support to the Company's Board of Directors and management on an as-needed basis, by telephone or in person, in matters relating to the Company's business, including product development, marketing and promotion and other matters concerning the ZERO Device as the Company may reasonably request from time to time during the term of this Agreement. Advisor also agrees to serve on the "Advisory Board" which shall report to the Company's Board of Directors.

1.2 Advisor agrees to appear not less than at two events per year during the term of this Agreement subject to Advisor's prior commitments, schedule and availability, and at such other times as May be mutually agreed, to assist and support the company in promoting the ZEFS Device.

Section 2. Compensation. Expenses.

2.1 As soon as practicable following the parties execution of his agreement, the company shall issue to Advisor 50,000 shares of the company of common stock, par value $.001 per share. (the "Stock"). The stock shall be deemed to have to have a value of $.001 per share. Advisor shall execute and deliver to the company a subscription agreement substantially in the form attached hereto in Annex A, the provisions of which are incorporated herein by this reference.

2.2 The Company shall reimburse Advisor for all reasonable and necessary out-of-pocket expenses incurred by Advisor in performing the services requested by the Company hereunder, including without limitation travel, meals, accommodations and phone charges, subject to Advisor's presentation to the Company of receipts for such charges, in accordance with the Company's practices and policies as adopted or approved from time to time.

Section 3. Non-Disclosure Obligations.

Advisor acknowledges that the Technology is proprietary and agrees to execute a standard confidentiality agreement substantially in the form attached hereto in Annex B, the provisions of which are incorporated herein by this reference.

Section 4.

4.1 Use of Advisor's Name and Likeness

The Company will not use Advisor's name or likeness in any advertising or marketing/ promotional material without written approval or consent, which shall not be unreasonably withheld. Except as may be expressly agreed to by the parties hereto in writing , the Company shall acquire no

ownership or rights in or to Advisor's name or likeness that by its use or incorporation in any company advertising or promotional materials other than the right to use , duplicate and distribute such name or likeness as and to the extent to which Advisor's may have previously consented.

4.2 The Company may identify Advisor as member of the Company's Advisory Board and may make such disclosures as may be necessary of advisable to comply with federal securities laws, including without limitation disclosures in filing with the Securities and Exchange Commission or press releases as to (1) the terms of this Agreement; (2) the appointment of Advisor to the Company's Advisory Board; and (3) Advisor's Stock ownership.

Section 5. Miscellaneous Provisions.

5.1 Term. The initial term of this Agreement is one year from the effective date of this Agreement. This Agreement shall renew automatically from year to year unless terminated by either party by giving the other not less than thirty (30) day's prior written notice of its election to terminate this Agreement.

5.2 Counterparts. This Agreement may be executed in any number of counterparts, each of which shall be deemed to be an original, and all such counterparts when taken together shall be deemed to be but one and the same instrument.

5.3 Governing Law. This Agreement shall be governed by, and construed and enforced in accordance with, the laws of the State of California.

IN WITNESS WHEREOF, the parties hereto have executed or caused their respective duly authorized officer to execute this Agreement as of the date first set forth above.

ADVISOR

By: /s/ Nate Sheldon
Nate Sheldon

SAVE THE WORLD AIR, INC.

By: /s/ Eugene E. Eichler
Name: Eugene E. Eichler
Title: Chief Operating Officer

ANNEX A
Subscription Agreement

SUBSCRIPTION AGREEMENT

SAVE THE WORLD AIR, INC.

The undersigned hereby proposes to acquire Common Stock of Save the World Air, Inc., a Nevada corporation (the "Company").

The undersigned understands that the shares of Common Stock are being offered and sold without registration under the Securities Act of 1933, as amended (the "Act"), in reliance upon the private placement exemption contained in Sections 4(2) and 4(6) of the Act, and Regulation D promulgated thereunder, and that such reliance is based on the undersigned's representations set forth below.

To induce the Company to accept this subscription and issue and deliver the Common Stock, the undersigned agrees, warrants, and represents as follows:

1. This offer is irrevocable until both parties execution and delivery of that certain Advisory Services Agreement to which this subscription is a part and is subject to acceptance or rejection by the Company in its sole discretion.

2. The undersigned is acquiring the Common Stock for investment for his or her own account, and not with a view toward distribution thereof, and with no present intention of dividing his or her interest with others or reselling or otherwise disposing of all or any portion of the Common Stock. The undersigned has not offered or sold a participation in this purchase of Common Stock, and will not offer or sell the Common Stock or interest therein or otherwise, in violation of the Act. The Undersigned further acknowledges that he or she does not have in mind any sale of the Common Stock currently or after the passage of a fixed or determinable period of time or upon the occurrence or non-occurrence of any predetermined events or consequence; and that he or she has no present or contemplated agreement, undertaking, arrangement, obligation, indebtedness or commitment providing for or which is likely to compel a disposition of the Common Stock and is not aware of any circumstances presently in existence that are likely in the future to prompt a disposition of the Common Stock.

4. The undersigned acknowledges that the shares of Common Stock have been offered to him or her in direct communication between himself or herself and the Company or through registered broker-dealers and not through any advertisement of any kind.

5. The undersigned acknowledges that he or she has read or has had access to all of the Company's filings with the Securities and Exchange Commission under the Securities Exchange Act of 1934, as amended, that the Company has not timely filed its annual report of Form 10-KSB nor does it have current audited financial statements, that the offer and sale of Common Stock to the undersigned were based on the representations and warranties of the undersigned in this Subscription Agreement, and acknowledges that he or she has been encouraged to seek his or her own legal and financial counsel to assist him or her in evaluating this investment. The undersigned acknowledges that the Company has given him or her and all of his or her counselors access to all information relating to the Company's business that they or any one of them has requested. The undersigned acknowledges that he or she has sufficient knowledge, financial and business experience concerning the affairs and conditions of the Company so that he or she can make a reasoned decision as to this investment in the Company and is capable of evaluating the merits and risks of this investment. Based on the foregoing, the undersigned hereby agrees to indemnify the Company thereof and to hold each of such persons and entities, 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 such warranties of the undersigned, or arising as a result of the sale or distribution of the Common Stock by the undersigned in violation of the Act, the Securities Exchange Act of 1934, as amended, or any other applicable law, either federal or state. This subscription and the representations and warranties contained herein shall be binding upon the heirs, legal representatives, successors and assigns of the undersigned.

5. (a) The undersigned is aware of the restrictions of transferability of the Common Stock and further understands and acknowledges that any certificates evidencing the Common Stock will bear the following legends, to which such interests will be subject:

THE SHARES EVIDENCED BY THIS CERTIFICATE HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED, OR QUALIFIED FOR SALE UNDER ANY STATE SECURITIES LAWS (COLLECTIVELY, "SECURITIES LAWS") AND MAY NOT BE OFFERED, SOLD OR OTHERWISE TRANSFERRED UNLESS REGISTERED OR QUALIFIED FOR SALE UNDER ALL APPLICABLE SECURITIES LAWS OR UNLESS, IN THE OPINION OF COUNSEL SATISFACTORY TO THE ISSUER, IN FORM AND SUBSTANCE SATISFACTORY TO THE ISSUER, ANY SUCH OFFER, SALE OR OTHER TRANSFER IS EXEMPT FROM THE REGISTRATION OR QUALIFICATION REQUIREMENTS OF SUCH SECURITIES LAWS.

(b) The undersigned understands that following the purchase of the Common Stock, the Common Stock may only be disposed of pursuant to either (i) an effective registration statement under the Act, or (ii) an exemption from the registration requirements of the Securities Act of 1933.

(c) The Company has neither filed such a registration statement with the SEC or any state authorities nor agreed to do so, nor contemplates doing so in the future for this offering of Common Stock, and in the absence of such a registration statement or exemption, the undersigned may have to hold the Common Stock indefinitely and may be unable to liquidate them in case of an emergency.

(d) The undersigned acknowledges that the Company is not obligated and does not propose to furnish the undersigned with information necessary to enable it to be able to make sales under Rule 144 of the Securities Act of 1933.

6. The undersigned represents that he or she is a resident of ___and makes the following representation:

I, THE UNDERSIGNED, REPRESENT THAT I HAVE A PRE-EXISTING PERSONAL OR BUSINESS RELATIONSHIP WITH THE COMPANY, ANY OFFICER, DIRECTOR OR CONTROLLING PERSON THEREOF OR HAVE, THROUGH MYSELF OR THROUGH MY UNAFFILIATED PROFESSIONAL ADVISER, THE BUSINESS OR FINANCIAL EXPERIENCE TO PROTECT MY INTERESTS IN CONNECTION WITH MY SUBSCRIPTION HERETO.

FURTHER, I AM PURCHASING THE COMMON STOCK OFFERED HEREBY FOR INVESTMENT AND NOT WITH A VIEW TOWARD DISTRIBUTION THEREOF.

7. This Subscription Agreement has been delivered in, and shall be construed in accordance with the laws of the State of California. Subject to the provisions of the paragraph immediately following, any action in connection with this Subscription Agreement shall be brought in the appropriate state or federal court in and for the County of Los Angeles, State of California, which shall have exclusive jurisdiction over such action.

Executed as of this___

Day of August, 2002

By /s/ Nathan E Sheldon

Nate Sheldon

* *
* *

The above and foregoing Subscription accepted this ___day of___, 2002.

Save the World Air, Inc.
A Nevada corporation

By: /s/ Eugene E. Eichler
Its: Chief Operating Officer

ANNEX B
Confidentiality Agreement

August , 2002

STRICTLY PRIVATE AND CONFIDENTIAL

BY FACSIMILE
Save the World Air, Inc.
29229 Canwood Street, Suite 206
Agoura Hills, California 91301

Attention: Eugene E. Eichler, Chief Financial Officer

Gentlemen:

In connection with the advisory services that you have asked me to provide to Save the World Air, Inc. (the "**Company**") as a member of its Advisory Board, I may be provided and/or have access to technical and other information concerning the Company and its proprietary technology (the "Technology") for a product known as the Zero Pollution-Fuel Saving Device ("ZERO Device") that can be used on motor vehicles to reduce pollution and improve fuel efficiency. As a condition to my being furnished such information, I agree to treat any information concerning the Technology (including without limitation all specifications, designs, processes, concepts, ideas, strategic plans, product development plans, research and development, information about the Company's operations, finances, reports, interpretations, forecasts and records, and any analyses, compilations, studies or other documents, whether prepared by the Company or others, that contain or reflect such information (collectively, the "**Confidential Information**") in accordance with the provisions of this letter. The term "**Confidential Information**" does not include information which (a) was or becomes generally available to the public other than as a result of a disclosure by me or my agents or advisors, (b) was or becomes available to me on a non-confidential basis from a source other than the Company or its advisors provided that such source is not bound by a confidentiality agreement with the Company, (c) was within my possession prior to its being furnished to me by or on behalf of the Company, provided that the source of such information was not bound by a confidentiality agreement with the Company in respect thereof.

By this letter, I agree that the Confidential Information will be used solely for the purposes in furtherance of my advisory services to the Company and will not be used by me in any way detrimental to the Company. I also agree that the Confidential Information will be kept confidential by me, my agents and employees; *provided, however*, that (i) any such information may be disclosed to my agents and employees who need to know such information for the purpose of providing the advisory services (it being understood that such persons shall be informed by me of the confidential nature of such information and shall be directed by me to treat such information confidentially and shall assume the same obligations as I under this letter) and (ii) any disclosure of such information may be made to which the Company consents in writing. I shall be responsible for any breach of this letter by my agents or employees.

In the event I am required by legal process to disclose any of the Confidential Information, I shall provide you with prompt notice of such requirement so that you may seek a protective order or other appropriate remedy or waive compliance with the provisions of this letter. In the event that a protective order or other remedy is obtained, I shall use all reasonable efforts to assure that all Confidential Information disclosed will be covered by such order or other remedy. Whether such protective order or other remedy is obtained or we waive compliance with the provisions of this letter, I will disclose only that portion of the Confidential Information that I am legally required to disclose. This letter shall be governed by laws of California, U.S.A, in all respects.

* * *

Very truly yours,

/s/ Nathan E. Sheldon
Nate Sheldon

Exhibit 10.34

ASSIGNMENT OF PATENT RIGHTS

This Assignment of Patent Rights (the "Agreement") is effective as of the 1st day of September, 2003 (the "Effective Date"), by and between Adrian Menzell, an individual ("Assignor"), and Save the World Air, Inc., a Nevada corporation with a principal place of business at 5125 Lankershim Blvd., North Hollywood, California 91601 ("Assignee").

WHEREAS, Assignor has filed a Provisional Patent Application in Australia entitled, "Improvements in or Relating to Emission Control Systems" attached hereto as Exhibit A (the "Provisional Patent Application");

WHEREAS, Assignor is the owner of all right, title and interest in and to the patent described in the Provisional Patent Application and all corresponding U.S. and foreign patents and patent applications, including, but not limited to, those specified in Schedule A attached hereto (the "Patent Rights");

WHEREAS, Assignor desires to assign and Assignee desires to acquire, the entire and exclusive right, title and interest in and to the Patent Rights and the underlying inventions described therein, in Australia, the United States and throughout the world; and

WHEREAS, Assignor is willing to assign to Assignee all rights, title and interest in and to the Patent Rights and the underlying inventions described therein in Australia, the United States and throughout the world, subject to the terms and conditions of this Agreement.

NOW, THEREFORE, for good and valuable consideration, receipt of which is hereby acknowledged by Assignor, Assignor hereby irrevocably assigns, transfers and conveys to Assignee, and Assignee hereby accepts, all of Assignor's right, title and interest throughout the world in and to the Patent Rights, the underlying inventions described therein and all existing and future design modifications and improvements thereon, and any and all patent applications whether U.S. or foreign that are or may be granted therefrom including without limitation any extensions, continuations, continuations-in-part, divisions, reissues, reexaminations, and renewals thereof, or other equivalents thereof, and further, all rights and privileges pertaining to the Patent Rights and any and all patent applications thereof whether U.S. or foreign that are or may be granted therefrom including, without limitation, the right, if any, to sue or bring other actions for past, present and future infringement thereof.

Assignor further assigns to and empowers Assignee, its successors, assigns or nominees, all rights to make applications for patents or other farms of protection for said inventions, design modifications and improvements and to prosecute such applications as well as to claim and receive the benefit of the right of priority provided by the International Convention for the Protection of Industrial Property, as amended, or by any convention which may henceforth be substituted for it, and the right to invoke and claim such right of priority without further written or oral authorization.

Assignor further agrees that Assignor will, with out charge to Assignee, but at Assignee's expense (a) cooperate with Assignee in the prosecution of U.S. patent applications and foreign counterparts on the invention and any design modifications and improvements; b) execute,

verify, acknowledge and deliver all such further papers, including patent applications and instruments of transfer; and (c) perform such other acts as Assignee lawfully may request to obtain, maintain, defend or enforce patent applications and patents for the inventions, design modifications and improvements in any and all countries, and to vest title thereto in Assignee, or Assignee's successors and assigns.

In the event that Assignee is unable for any reason whatsoever to secure Assignor's signature to any document it is entitled to under the preceding paragraph, Assignor hereby irrevocably designates and appoints Assignee and its duly authorized officers and agents, as his agents and attorneys-in-fact to act for and on his behalf and instead of him, to execute and file any such document and to do all other lawfully permitted acts to further the purposes of the foregoing with the same legal force and effect as if executed by Assignee.

Assignee shall reimburse Assignor for all costs and expenses (including legal fees) incurred by Assignor in preparing and filing the Provisional Patent Application up to US$10,000.00. Assignee shall also make a one-time issuance to Assignor of 20,000 shares of the Company's common stock, which shall be issued to Assignor after he has filed the Provisional Patent Application. Assignee shall further pay a royalty fee of $US0.25 per unit, or product within the scope of the Patent Rights ("Unit"), sold. Royalties due under this agreement shall be payable quarterly on a country-by-country basis until (i) the expiration of the last-to-expire issued patent included within the Patent Rights that has not been held invalid in a final decision of a court of competent jurisdiction, and that has not been disclaimed or admitted to be invalid or unenforceable through reissue or otherwise, covering such Unit in such country or (ii) if no such patent has issued in a country, until the tenth anniversary of the first commercial sale of a Unit in such country. Assignee shall keep and maintain complete and accurate records of the transactions for the purpose of determining the royalty amounts payable under this Agreement. Such books and records shall be kept at the principal place of Assignee's business for at least five (5) years following the end of the calendar quarter to which they pertain and will he made available to Assignor, or its representative, for inspection during ordinary business hours, no more than once every twelve (12) months. If any such examination shall disclose any deficiency of five percent (5%) or more, Assignee shall pay, in addition to such deficiency, the reasonable costs of such examination.

Notwithstanding any provision to the contrary herein, Assignee shall promptly provide notice to Assignor of each country for which Assignee intends to file patent applications corresponding to the Patent Rights, but in no event less than ninety (90) days prior to the expiration of the deadline for filing such applications under applicable international law, If Assignee does not intend to file patent applications. Assignor may elect, at its sole cost and expense, to have Assignee file patent applications in any such country for which Assignee does not intend to file patent applications, provided that Assignor provides prior notice to Assignee no later than sixty (60) days prior to the filing deadline and advances the attorneys' fees, costs and expenses of such filings anticipated by Assignee. In such event, Assignee will provide to Assignor a non-exclusive, non-transferable license under the Patent Rights to manufacture, market and sell products that embody the inventions described in the Patent Rights for those countries, subject to customary restrictions regarding quality assurance, trademark use, protection against gray market sales, and patent marking provisions of the intellectual property laws of the applicable countries in which the products are manufactured, distributed or sold.

Assignor may not sublicense the rights granted in this Agreement. In the event that Assignee abandons the patent applications, the Patent Rights may revert back to Assignor upon Assignor's reimbursement of Assignee's costs and expenses (including legal fees) incurred in connection with the patent applications. Assignee agrees to use reasonable commercial efforts to diligently file patent applications, unless pursuit and protection of the patent applications may infringe on other patents or be disputed, or Assignee determines, in its sole discretion, that the products cannot feasibly be manufactured, marketed or sold.

Except as expressly provided herein, each party agrees not to disclose any terms of this Agreement to any third party without the consent of the other party; provided, disclosures may be made as required by securities or other applicable laws, or to actual or prospective corporate partners, or to a party's accountants, attorneys and other professional advisors.

The parties further agree that, upon execution of this Agreement, the Consulting Agreement, attached hereto as Exhibit B and incorporated herein by reference, shall be the controlling agreement between the parties.

This Agreement shall be governed by and enforced in accordance with the laws of the State of California and the United States of America, without giving effect to any conflicts of law principles.

This Agreement shall be binding on, and shall inure to the benefit of, the parties hereto and their respective successors and assigns.

Each party represents that it has taken all necessary action to authorize the execution and delivery of this Agreement.

This Agreement may be executed in any number of counterparts, each of which shall be deemed to be an original, and all such counterparts when taken together shall be deemed to be but one and the same instrument.

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be executed by their respective duly authorized officers, as of the Effective Date.

ADRIAN MENZELL:

/s/ ADRIAN MENZELL

SAVE THE WORLD AIR, INC.:

By: /s/ EUGENE E. EICHLER
Title: Chief Operating Officer
Date: February 24, 2004

On this 24th day of February, 2004, before me appeared Eugene Eichler and Adrian Menzell, the person who signed this instrument, who acknowledged that he/she signed it as a free act on his/her own behalf or on behalf of the Assignor with authority to do so.

State of California)
) ss.
County of Los Angeles)

[PRISICILLA HARRIET DEVORE
Commission # 1279247
Notary Public – California
Los Angeles County
My Comm. Expires Oct. 30, 2004]

/s/ Priscilla Harriet Devore

Exhibit A

Provisional Patent Application

Exhibit B

Consulting Agreement

[agreement not entered into]

Schedule A

List of Patent Applications for Menzell Patent

EXHIBIT 10.35

GLOBAL DEED OF ASSIGNMENT

BETWEEN Adrian Menzell

27 Park Avenue, Broadbeach, 4218, Queensland, Australia

(the "**Assignor**")

AND SAVE THE WORLD AIR, INC.

A Nevada Corporation of 5125 Lankershim Blvd., North Hollywood, California 91601 USA

(the "**Assignee**")

RECITALS

A. The Assignor is the inventor of Improvements in or Relating to Emission Control Systems (the "**Invention**") forms of which are described in Australian Patent Applications

Appn No.	Title	Filed
2003902450	Improvements in or Relating to Emission Control Systems	20May03
2003904515	Improvements in or Relating to Emission Control Systems	21Aug03
2003904811	Improvements in or Relating to Emission Control Systems	4Sep03
2004900084	Improvements in or Relating to Emission Control Systems	8Jan04
2004900192	Improvements in or Relating to Emission Control Systems	16Jan04
2004903000	Inline Exhaust Device to Improve Efficiency of a Catalytic Converter	4Jun04

(the "**Applications**").

B. The Assignor has agreed to assign to the Assignee and the Assignee desires to take assignment of any and all the rights, title and interest of the Assignor in and to the Invention and the Applications on a world wide basis.

THIS DEED WITNESSES

1. The Assignor assigns to the Assignee all rights, title and interest in and to the Invention and the Applications including, but without limitation:

   (a) all rights, title and interest in and to any Patent or Patents which may be granted on the Invention and/or the Applications in any and all countries in the world including, but without limitation, the U.S.A., Australia, Europe, Japan, Canada and China, including rights to sue in respect of any infringement of any such Patent or Patents from the date when the Applications becomes or became open for public inspection, for the full term of any such Patent or

Patents together with any extension of the term of any such Patent or Patents as may be granted;

(b) all rights and powers such as subsist at the date of this Deed, to make one or more further applications for Letter Patent or other form of protection in the name of the Assignee in any country, region or part of the world including, but without limitation, the USA, Australia, Europe, Japan, Canada, China, and for an International patent application(s) in respect of the Invention, and all rights, title and interest in and to any Letters Patent or other form of protection to mature from any such applications for the full term thereof together with any extension of term of any such Patent or Patents or any other form of protection as may be granted.

(c) All other rights including copyright.

2. The Assignor agrees to cooperate and do all things necessary and to sign, execute and deliver all necessary documents, forms and papers to be produced or obtained by the Assignee in connection with any applications for Letters Patent or other form of protection for the subject matter of the Invention, in Australia or elsewhere, but at the cost of the Assignee.

EXECUTED as a **DEED**. on the 26th day of June 2004

SIGNED **/s/ Adrian Menzell**

Adrian Menzell

Witness

SIGNED
SAVE THE WORLD AIR, INC. **/s/ Eugene E. Eichler**

Eugene E. Eichler

Witness

CODE OF BUSINESS CONDUCT AND ETHICS

I. INTRODUCTION

This Code of Business Conduct and Ethics is designed to ensure compliance with legal requirements and our standards of business conduct. All directors and employees of Save the World Air, Inc. (the "Company") are expected to read and understand this Code of Business Conduct and Ethics, uphold these standards in day-to-day activities, comply with all applicable policies and procedures, and ensure that all agents and contractors are aware of, understand and adhere to these standards.

Because the principles described in this Code of Business Conduct and Ethics are general in nature, you should also review all applicable Company policies and procedures for more specific instruction, and contact the Nominating and Corporate Governance Committee if you have any questions.

Nothing in this Code of Business Conduct and Ethics, in any company policies and procedures, or in other related communications (verbal or written) creates or implies an employment contract or term of employment.

We are committed to continuously reviewing and updating our policies and procedures. Therefore, this Code of Business Conduct and Ethics is subject to modification. This Code of Business Conduct and Ethics supersedes all other such codes, policies, procedures, instructions, practices, rules or written or verbal representations to the extent they are inconsistent.

Please sign the acknowledgment form at the end of this Code of Business Conduct and Ethics and return the form to the Nominating and Corporate Governance Committee indicating that you have received, read, understand and agree to comply with the Code of Business Conduct and Ethics. The signed acknowledgment form will be located in your personnel file.

II. COMPLIANCE IS EVERYONE'S BUSINESS

Ethical business conduct is critical to our business. As an employee or director, your responsibility is to respect and adhere to these practices. Many of these practices reflect legal or regulatory requirements. Violations of these laws and regulations can create significant liability for you, the Company, its directors, officers, and other employees.

Part of your job and ethical responsibility is to help enforce this Code of Business Conduct and Ethics. You should be alert to possible violations and report possible violations to the Human Resources Department or the Nominating and Corporate Governance Committee of the Board of Directors ("Nominating Committee"). You must cooperate in any internal or external investigations of possible violations. Reprisal, threats, retribution or retaliation against any person who has in good faith reported a violation or a suspected violation of law, this Code of Business Conduct or other

Company policies, or against any person who is assisting in any investigation or process with respect to such a violation, is prohibited.

Violations of law, this Code of Business Conduct and Ethics, or other Company policies or procedures should be reported to the Human Resources Department or the Nominating Committee.

Violations of law, this Code of Business Conduct and Ethics or other Company policies or procedures by Company employees can lead to disciplinary action up to and including termination.

In trying to determine whether any given action is appropriate, use the following test. Imagine that the words you are using or the action you are taking is going to be fully disclosed in the media with all the details, including your photo. If you are uncomfortable with the idea of this information being made public, perhaps you should think again about your words or your course of action.

In all cases, if you are unsure about the appropriateness of an event or action, please seek assistance in interpreting the requirements of these practices by contacting the Human Resources Department.

III. YOUR RESPONSIBILITIES TO THE COMPANY AND ITS SHAREHOLDERS

A. General Standards of Conduct

The Company expects all employees, agents and contractors to exercise good judgment to ensure the safety and welfare of employees, agents and contractors and to maintain a cooperative, efficient, positive, harmonious and productive work environment and business organization. These standards apply while working on our premises, at offsite locations where our business is being conducted, at Company-sponsored business and social events, or at any other place where you are a representative of the Company. Employees, agents or contractors who engage in misconduct or whose performance is unsatisfactory may be subject to corrective action, up to and including termination.

B. Applicable Laws

All Company directors, employees, agents and contractors must comply with all applicable laws, regulations, rules and regulatory orders. Company employees located outside of the United States must comply with laws, regulations, rules and regulatory orders of the United States, including the Foreign Corrupt Practices Act and the U.S. Export Control Act, in addition to applicable local laws. Each employee, agent and contractor must acquire appropriate knowledge of tie requirements relating to his or her duties sufficient to enable him or her to recognize potential dangers and to know when to seek advice from the Human Resources Department on specific Company policies and procedures. Violations of laws, regulations, rules and orders may subject the employee, agent or contractor to individual criminal or civil liability, as well as to discipline by the

CODE OF ETHICS FOR DIRECTORS AND SENIOR EXECUTIVE OFFICERS

Purpose

The purpose of this Code of Ethics is to promote the honest and ethical conduct of the Senior Executives (as defined below) of Save the World Air, Inc. ("STWA"), including the ethical handling of actual or apparent conflicts of interest between personal and professional relationships; full, fair, accurate, timely and understandable disclosure in periodic reports filed by STWA and compliance with all applicable rules and regulations applicable to STWA and its officers.

Applicability

This Code of Ethics is presently applicable to all STWA's Directors, its Chairman/Chief Executive Officer, President and Chief Operating Officer (and persons appointed to "senior executive positions" at later dates), together, "Senior Executives."

While we expect honest and ethical conduct in all aspects of our business from all of our employees, we expect the highest possible honest and ethical conduct from our Senior Executives. As a Senior Executive, you are an example for other employees and we expect you, through your leadership role, to foster a culture of transparency, integrity and honesty. Your responsibilities include maintaining a culture of high ethical standards and commitment to compliance and a work environment that encourages employees to raise concerns, and promptly addresses employee compliance concerns.

STWA's Code of Business Conduct, which this Code of Ethics for Senior Executive, sets forth the fundamental principles and key policies and procedures that govern the conduct of all STWA employees, officers and directors. You are bound by the requirements and standards set forth in the Code of Business Conduct, as well as those set forth in this Code of Ethics and other applicable policies and procedures. In the event of any conflict between the Code of Business Conduct and this Code of Ethics, this Code of Ethics shall govern your behavior or any required approvals or waivers. Compliance with this Code of Ethics is a condition of your employment or directorship and any violations of this Code may result in disciplinary action, up to and including termination of your employment.

Waivers of this Code of Ethics may be made only by the Board of Directors of STWA or a committee of the Board of Directors comprised solely of independent directors. Any waivers of this Code of Ethics will be disclosed in accordance with applicable law, regulation or the requirements of any listing criteria of an exchange upon which STWA's stock may be traded.

Compliance With Laws, Rules And Regulations

You are expected to comply with both the letter and spirit of all applicable laws, rules and regulations governing the conduct of our business and to report any suspected violations of all applicable laws, rules and regulations to either the Chair of the Audit Committee or the Chair of the Corporate Governance Committee. You will not be subject to retaliation because of a good faith report of a suspected violation of this Code of Ethics.

Fraud, Theft, Bribery And Similar Conduct

Any act that involves theft, fraud, embezzlement, or misappropriation of any property, including that of STWA or any of its employees, suppliers or customers, is prohibited. Offering or accepting kickbacks or bribes are forbidden.

Auditors

Fraudulently influencing, misleading, coercing or manipulating the auditor of STWA's financial statements for the purpose of rendering those financial statements materially misleading is prohibited.

Revenue Recognition

Senior Executives must ensure that all revenue transactions are completed, to the best of the Senior Executive's knowledge, in accordance with STWA's revenue recognition policies.

All commitments or representations made to customers or distributors or potential customers or distributors must be included in the final contract with the customer or distributor or related documentation submitted with customer or distributor orders. Employees must not make any commitments to the customer or distributor, orally or in writing, which have not been documented in the agreement or submitted to the STWA finance and/or contract departments. STWA prohibits side-letters or kickbacks with customers or distributors or potential customers or distributors.

Accurate Periodic Reporting and Disclosure

As a public company, STWA is required to file periodic and other reports with the Securities and Exchange Commission ("SEC"). STWA's policy is to make full, fair, accurate, timely and understandable disclosure in compliance with all applicable laws and regulations in all reports and documents that STWA files with, or submits to, the SEC and in all other public communications made by STWA. As a Senior Executive, you are required to promote compliance with this policy and to abide by all STWA standards, policies and procedures designed to promote compliance with this policy.

Accurate Record Keeping

Every Senior Executive must maintain accurate and complete records, including providing accurate and complete information to the accounting and the finance departments. No false, misleading or artificial entries may be made on, or be provided for entry on, STWA's books and records. No funds or assets may be maintained by STWA for any illegal or improper purposes. All transactions must be fully and completely documented and recorded in STWA's accounting records. It is against STWA policy to make entries that intentionally conceal or disguise the true nature of any transaction.

Conflicts of Interest

It is STWA's policy that you should avoid transactions, commitments, and other activities which are not in STWA's best interests or which could involve an actual conflict, or the appearance of a conflict, between your interests and those of STWA.

It is not possible to define all situations that could involve a conflict of interest; in most instances, however, sound business judgment should be sufficient to evaluate a situation.

A conflict of interest exists when your loyalties are divided between STWA's interests and your own interests, those of your family, or those of a customer, supplier or competitor. You are expected to avoid both the fact and appearance of conflicts of interest.

The prohibition against acting in a dual capacity in transacting STWA business, and from acquiring interests adverse to STWA, is applicable irrespective of your intentions and without regard to whether the action caused, or has the potential to cause, injury to STWA.

The following is presented as a guide in determining circumstances that might create conflicts of interest; they are not intended, however, to cover all possible situations.

- Representing STWA in any transaction if your personal interests might affect your ability to represent STWA's interests fairly and impartially. You must not knowingly or voluntarily permit yourself to be placed in a position where your interests may become adverse to STWA's interests. You must not allow personal relationships with current or prospective customers or suppliers to influence business decisions.

- Investment by you or a member of your immediate family in a customer, supplier, or competitor (or any company/partnership affiliated with a customer, supplier, or competitor) of STWA is prohibited if you have or would have the opportunity to influence business transactions between STWA and the customer, supplier, or competitor. Passive investments in

publicly traded companies shall not be a violation if you or a member of your immediate family owns less than 1% of such company's outstanding stock.

- You must not take for yourself nor direct to others any existing business or any opportunities for prospective business that could be considered by STWA.

- It is a conflict of interest to serve as a director of any company that competes with STWA. You may not serve as a director of a private company that is a supplier, customer, developer, or other business partner without first obtaining the approval of the Chair of the Corporate Governance Committee. You also may not become a director of any public company, without first obtaining the approval of the Chair of the Corporate Governance Committee.

- You must not speculate or deal in materials, supplies, equipment or products that STWA buys or sells, or in property rights in which STWA may be interested.

- Solicitation or acceptance by you or a member of your immediate family of any personal loan or guarantee from a customer, supplier or competitor.

Before acting in a manner that creates or appears to create a conflict of interest, you must make full disclosure to and obtain written approval of either the Chair of the Audit Committee or the Chair of the Corporate Governance Committee.

Compliance with the Code; Reporting of Violations

If you have questions about this Code of Ethics for Senior Executive and Financial Officers, you should seek guidance from STWA's legal counsel. If you know of or suspect a violation of applicable laws or regulations or this Code of Ethics for Senior Executive and Financial Officers, you must immediately report that information to either the Chair of the Audit Committee or to the Chair of the Board of Directors. *No one will be subject to retaliation because of a good faith report of a suspected violation.*

No Rights Created

This Code of Ethics is a statement of certain fundamental principles, policies and procedures that govern STWA's Senior Executives in the conduct of STWA's business. It is not intended to and does not create any rights in any employee, customer, supplier, competitor, stockholder or any other person or entity.

ACKNOWLEDGMENT

I have received and read the Code of Ethics for Senior Executive and Financial Officers, and I understand its contents. I agree to comply fully with the standards contained in the Code of Ethics and STWA's related policies and procedures. I understand that I have an obligation to promptly report to either the Chair of the Audit Committee or the Chair of the Corporate Governance Committee any suspected violation of the Code of Ethics for Senior Executive and Financial Officers.

_____

_____

Signature

Date_____

Company. Such individual violations may also subject the Company to civil or criminal liability or the loss of business.

C. Conflicts of Interest

Each of us has a responsibility to the Company, our shareholders and each other. Although this duty does not prevent us from engaging in personal transactions and investments, it does demand that we avoid situations where a conflict of interest might occur or appear to occur. The Company is subject to scrutiny from many different individuals and organizations. We should always strive to avoid even the appearance of impropriety.

What constitutes conflict of interest? A conflict of interest exists where the interests or benefits of one person or entity conflict with the interests or benefits of the Company. Examples include:

(i) **Employment/Outside Employment.** In consideration of your employment with the Company, you are expected to devote your full attention to the business interests of the Company. You are prohibited from engaging in any activity that interferes with your performance or responsibilities to the Company or is otherwise in conflict with or prejudicial to the Company. Our policies prohibit any employee from accepting simultaneous employment with a Company supplier, customer, developer or competitor, or from taking part in any activity that enhances or supports a competitor's position. Additionally, you must disclose to the Company any interest that you have that may conflict with the business of the Company. If you have any questions on this requirement, you should contact your supervisor or the Human Resources Department.

(ii) **Outside Directorships.** It is a conflict of interest to serve as a director of any company that competes with the Company. Although you may serve as a director of a Company supplier, customer, developer, or other business partner, our policy requires that you first obtain approval from the Company's Nominating Committee before accepting a directorship. Any compensation you receive should be commensurate to your responsibilities. Such approval may be conditioned upon the completion of specified actions.

(iii) **Business Interests.** If you are considering investing in a Company customer, supplier, developer or competitor, you must first take great care to ensure that these investments do not compromise your responsibilities to the Company. Many factors should be considered in determining whether a conflict exists, including the size and nature of the investment; your ability to influence the Company's decisions; your access to confidential information of the Company or of the other company; and the nature of the relationship between the Company and the other company.

(iv) **Related Parties.** As a general rule, you should avoid conducting Company business with a relative or significant other, or with a business in which a relative or significant other is associated in any significant role. Relatives include spouse, sister, brother, daughter, son, mother, father, and parents, aunts, uncles, nieces,

nephews, cousins, step relationships, and in-laws. Significant others include persons living in a spousal (including same sex) or familial fashion with an employee.

If such a related party transaction is unavoidable, you must fully disclose the nature of the related party transaction to the Company's President/Chief Financial Officer. If determined to be material to the Company by the President/Chief Financial Officer, the Company's Audit Committee must review and approve, in writing in advance such related party transactions. The most significant related party transactions, particularly those involving the Company's directors or senior executive officers, must be reviewed and approved in writing in advance by the Company's Board of Directors. The Company must report all such material related party transactions under applicable accounting rules, Federal securities laws, SEC rules and regulations, and securities market rules. Any dealings with a related party must be conducted in such a way that no preferential treatment is given to this business.

The Company discourages the employment of relatives and significant others in positions or assignments within the same department and prohibits the employment of such individuals in positions that have a financial dependence or influence (e.g., an auditing or control relationship, or a supervisor/subordinate relationship). The purpose of this policy is to prevent the organizational impairment and conflicts that are a likely outcome of the employment of relatives or significant others, especially in a supervisor/subordinate relationship. If a question arises about whether a relationship is covered by this policy, the Human Resources Department is responsible for determining whether an applicant's or transferee's acknowledged relationship is covered by this policy. The Human Resources Department shall advise all affected applicants and transferees of this policy. Willful withholding of information regarding a prohibited relationship/reporting arrangement may be subject to corrective action, up to and including termination. If a prohibited relationship exists or develops between two employees, the employee in the senior position must bring this to the attention of his/her supervisor. The Company retains the prerogative to separate the individuals at the earliest possible time, either by reassignment or by termination, if necessary.

(v) **Other Situations.** Because other conflicts of interest may arise, it would be impractical to attempt to list all possible situations. If a proposed transaction or situation raises any questions or doubts in your mind you should consult the Human Resources Department.

D. Corporate Opportunities

Employees, officers and directors may not exploit for their own personal gain opportunities that are discovered through the use of corporate property, information or position unless the opportunity is disclosed fully in writing to the Company's Board of Directors and the Board of Directors declines to pursue such opportunity.

E. Protecting the Company's Confidential Information

The Company's confidential information is a valuable asset. The Company's confidential information includes product architectures; source codes; product plans and road maps; names and lists of customers, dealers, and employees; and financial information. This information is the property of the Company and may be protected by patent, trademark, copyright and trade secret laws. All confidential information must be used for Company business purposes only. Every employee, agent and contractor must safeguard it. **THIS RESPONSIBILITY INCLUDES NOT DISCLOSING THE COMPANY CONFIDENTIAL INFORMATION SUCH AS INFORMATION REGARDING THE COMPANY'S PRODUCTS OR BUSINESS OVER THE INTERNET.** You are also responsible for properly labeling any and all documentation shared with or correspondence sent to the Company's outside counsel as "Attorney-Client Privileged". This responsibility includes the safeguarding, securing and proper disposal of confidential information in accordance with the Company's policy on Maintaining and Managing Records set forth in Section III.I of this Code of Business Conduct and Ethics. This obligation extends to confidential information of third parties, which the Company has rightfully received under Non-Disclosure Agreements. See the Company's policy dealing with Handling Confidential Information of Others set forth in Section IV.D of this Code of Business Conduct and Ethics.

(i) **Proprietary Information and Invention Agreement.** When you joined the Company, you signed an agreement to protect and hold confidential the Company's proprietary information. This agreement remains in place for as long as you work for the Company and after you leave the Company. Under this agreement, you may not disclose the Company's confidential information to anyone or use it to benefit anyone other than the Company without the prior written consent of an authorized Company officer.

(ii) **Disclosure of Company Confidential Information.** To further the Company's business, from time to time our confidential information may be disclosed to potential business partners. However, such disclosure should never be done without carefully considering its potential benefits and risks. If you determine in consultation with your manager and other appropriate Company management that disclosure of confidential information is necessary, you must then contact the President to ensure that an appropriate written nondisclosure agreement is signed prior to the disclosure. The Company has standard nondisclosure agreements suitable for most disclosures. You must not sign a third party's nondisclosure agreement or accept changes to the Company's standard nondisclosure agreements without review and approval by the Company's President. In addition, all Company materials that contain Company confidential information, including presentations, must be reviewed and approved by the Company's President prior to publication or use. Furthermore, any employee publication or publicly made statement that might be perceived or construed as attributable to the Company, made outside the scope of his or her employment with the Company, must be reviewed and approved in writing in advance by the Company's President and must include the Company's standard disclaimer that the publication or statement represents the views of the specific author and not of the Company.

(iii) **Requests by Regulatory Authorities.** The Company and its employees, agents and contractors must cooperate with appropriate government inquiries and investigations. In this context, however, it is important to protect the legal rights of the Company with respect to its confidential information. All government requests for information, documents or investigative interviews must be referred to the Company's President. No financial information may be disclosed without the prior approval of the President/Chief Financial Officer.

(iv) **Company Spokespeople.** Specific policies have been established regarding who may communicate information to the press and the financial analyst community. All inquiries or calls from the press arid financial analysts should be referred to the Chairman/CEO or the President. The Company has designated its CEO and President/CFO as official Company spokespeople for financial matters. These designees are the only people who may communicate with the press on behalf of the Company.

F. Obligations Under Securities Laws: "Insider" Trading

Obligations under the U.S. securities laws apply to everyone. In the normal course of business, officers, directors, employees, agents, contractors and consultants of the Company may come into possession of significant, sensitive in formation. This information is the property of the Company — - you have been entrusted with it. You may not profit from it by buying or selling securities yourself, or passing on the information to others to enable them to profit or for them to profit on your behalf. The purpose of this policy is both to inform you of your legal responsibilities and to make clear to you that the misuse of sensitive information is contrary to Company policy and U.S. securities laws.

Insider trading is a crime, penalized by fines of up to $5,000,000 and 20 years in jail for individuals. In addition, the SEC may seek the imposition of a civil penalty of up to three times the profits made or losses avoided from the trading. Insider traders must also disgorge any profits made, and are often subjected to an injunction against future violations. Finally, insider traders may be subjected to civil liability in private lawsuits.

Employers and other controlling persons (including supervisory personnel) are also at risk under U.S. securities laws. Controlling persons may, among, other things, face penalties of the greater of $25,000,000 or three times the profits made or losses avoided by the trader if they recklessly fail to take preventive steps to control insider trading.

Thus, it is important both to you and the Company that insider-trading violations not occur. You should be aware that stock market surveillance techniques are becoming increasingly sophisticated, and the chance that U.S. federal or other regulatory authorities will detect and prosecute even small-level trading is significant. Insider trading rules are strictly enforced, even in instances when the financial transactions seem small. You should contact the President/President/Chief Financial Officer if you are unsure as to whether or not you are free to trade.

For more details, and to determine if you are restricted from trading during trading blackout periods, you should review the Company's Insider Trading Compliance Program. You can request a copy of this policy from the President. You should take the time to read the Insider Trading Compliance Program carefully, paying particular attention to the specific policies and the potential criminal and civil liability and/or disciplinary action for insider trading violations. Directors, employees, agents and contractors of the Company who violate this Policy are also be subject to disciplinary action by the Company, which may include termination of employment or of business relationship. All questions regarding the Company's Insider Trading Compliance Program should be directed to the Company's President/President/Chief Financial Officer.

G. Prohibition Against Short Selling of Company Stock

No Company director, officer or other employee, agent or contractor may, directly or indirectly, sell any equity security, including derivatives, of the Company if he or she (1) does not own the security sold, or (2) if he or she owns the security, does not deliver it against such sale (a "short sale against the box") within twenty days thereafter, or does not within five days after such sale deposit it in the mails or other usual channels of transportation. No Company director, officer or other employee, agent or contractor may engage in short sales. A short sale, as defined in this policy, means any transaction whereby one may benefit from a decline in the Company's stock price. While employees who are not senior executive officers or directors are not prohibited by law from engaging in short sales of Company's securities, the Company has adopted as policy that employees may not do so as well.

H. Use of Company's Assets

(i) **General.** Protecting the Company's assets is a key fiduciary responsibility of every employee, agent and contractor. Care should be taken to ensure that assets are not misappropriated, loaned to others, or sold or donated, without appropriate authorization. All Company directors, employees, agents and contractors are responsible for the proper use of Company assets, and must safeguard such assets against loss, damage, misuse or theft. Employees, agents or contractors who violate any aspect of this policy or who demonstrate poor judgment in the manner in which they use any Company asset may be subject to disciplinary action, up to and including termination of employment or business relationship at the Company's sole discretion. Company equipment and assets are to be used for Company business purposes only. Employees, agents and contractors may not use Company assets for personal use, nor may they allow any other person to use Company assets. Employees who have any questions regarding this policy should bring them to the attention of the Company's Human Resources Department.

(ii) **Physical Access Control.** The Company has and will continue to develop procedures covering physical access control to ensure privacy of communications,

maintenance of the security of the Company communication equipment, and safeguard Company assets from theft, misuse and destruction. You are personally responsible for complying with the level of access control that has been implemented in the facility where you work on a permanent or temporary basis. You must not defeat or cause to be defeated the purpose for which the access control was implemented.

(iii) **Company Funds.** Every Company employee is personally responsible for all Company funds over which he or she exercises control. Company agents and contractors should not be allowed to exercise control over Company funds. Company funds must be used only for Company business purposes. Every Company employee, agent and contractor must take reasonable steps to ensure that the Company receives good value for Company funds spent, and must maintain accurate and timely records of each and every expenditure. Expense reports must be accurate and submitted in a timely manner. Company directors, employees, agents and contractors must not use Company funds for any personal purpose.

(iv) **Computers and Other Equipment.** The Company strives to furnish employees with the equipment necessary to efficiently and effectively do their jobs. You must care for that equipment and use it responsibly only for Company business purposes. If you use Company equipment at your home or off-site, take precautions to protect it from theft or damage, just as if it were your own. If the Company no longer employs you, you must immediately return all Company equipment. While computers and other electronic devices are made accessible to employees to assist them in performing their jobs and to promote Company's interests, all such computers and electronic devices, whether used entirely or partially on the Company's premises or with the aid of the Company's equipment or resources, must remain fully accessible to the Company and, to the maximum extent permitted by law, will remain the sole and exclusive property of the Company.

Employees, agents and contractors should not maintain any expectation of privacy with respect to information transmitted over, received by, or stored in any electronic communications device owned, leased, or operated in whole or in part by or on behalf of the Company. To the extent permitted by applicable law, the Company retains the right to gain access to any information received by, transmitted by, or stored in any such electronic communications device, by and through its employees, agents, contractors, or representatives, at any time, either with or without an employee's or third party's knowledge, consent or approval.

(v) **Software.** All software used by employees to conduct Company business must be appropriately licensed. Never make or use illegal or unauthorized copies of any software, whether in the office, at home, or on the road, since doing so may constitute copyright infringement and may expose you and the Company to potential civil and criminal liability. In addition, use of illegal or unauthorized copies of software may subject the employee to disciplinary action, up to and including termination. The Company's IT Department may inspect Company computers periodically to verify that only approved and licensed software has been installed. Any non-licensed/supported software will be removed.

(vi) **Electronic Usage.** The purpose of this policy is to make certain that employees utilize electronic communication devices in a legal, ethical, and appropriate manner. This policy addresses the Company's responsibilities and concerns regarding the fair and proper use of all electronic communications devices within the organization, including computers, e-mail, connections to the Internet, intranet and extranet and any other public or private networks, voice mail, video conferencing, facsimiles, and telephones. Posting or discussing information concerning the Company's products or business on the Internet without the prior written consent of the Company's CFO is prohibited. Any other form of electronic communication used by employees currently or in the future is also intended to be encompassed under this policy. It is not possible to identify every standard and rule applicable to the use of electronic communications devices. Employees are therefore encouraged to use sound judgment whenever using any feature of our communications systems. The complete set of policies with respect to electronic usage of the Company's assets is located at the principal offices in North Hollywood, California, United States. You are expected to review, understand and follow such policies and procedures.

I. Maintaining and Managing Records

The purpose of this policy is to set forth and convey the Company's business and legal requirements in managing records, including all recorded information regardless of medium or characteristics. Records include paper documents, CDs, computer hard disks, email, floppy disks, microfiche, microfilm or all other media. The Company is required by local, state, federal, foreign and other applicable laws, rules and regulations to retain certain records and to follow specific guidelines in managing its records. Civil and criminal penalties for failure to comply with such guidelines can be severe for employees, agents, contractors and the Company, and failure to comply with such guidelines may subject the employee, agent or contractor to disciplinary action, up to and including termination of employment or business relationship at the Company's sole discretion.

J. Records on Legal Hold

A legal hold suspends all document destruction procedures in order to preserve appropriate records under special circumstances, such as litigation or government investigations. The Company's President determines and identifies what types of Company records or documents are required to be placed under a legal hold. Every Company employee, agent and contractor must comply with this policy. Failure to comply with this policy may subject the employee, agent or contractor to disciplinary action, up to and including termination of employment or business relationship at the Company's sole discretion.

The Company's President will notify you if a legal hold is placed on records for which you are responsible. You then must preserve and protect the necessary records in accordance with instructions from the Company's President. **RECORDS OR SUPPORTING DOCUMENTS THAT HAVE BEEN PLACED UNDER A LEGAL HOLD MUST NOT BE DESTROYED, ALTERED OR MODIFIED UNDER ANY CIRCUMSTANCES.** A legal hold remains effective until it is officially released in

writing by the Company's President. If you are unsure whether a document has been placed under a legal hold, you should preserve and protect that document while ,you check with the Company's President.

If you have any questions about this policy you should contact the Company's President.

K. Payment Practices

(i) **Accounting Practices.** The Company's responsibilities to its shareholders and the investing public require that all transactions be fully and accurately recorded in the Company's books and records in compliance with all applicable laws. False or misleading entries, unrecorded funds or assets, or payments without appropriate supporting documentation and approval are strictly prohibited and violate Company policy and the law. Additionally, all documentation supporting a transaction should fully and accurately describe the nature of the transaction and be processed in a timely fashion.

(ii) **Political Contributions.** The Company reserves the right to communicate its position on important issues to elected representatives and other government officials. It is the Company's policy to comply fully with all local, state, federal, foreign and other applicable laws, rules and regulations regarding political contributions. The Company's funds or assets must not be used for, or be contributed to, political campaigns or political practices under ally circumstances without the prior written approval of the Company's Board of Directors.

(iii) **Prohibition of Inducements.** Under no circumstances may employees, agents or contractors offer to pay, make payment, promise to pay, or issue authorization to pay any money, gift, or anything of value to customers, vendors, consultants, etc. that is perceived as intended, directly or indirectly, to improperly influence any business decision, any act or failure to act, any commitment of fraud, or opportunity for the commission of any fraud. Inexpensive gifts, infrequent business meals, celebratory events and entertainment, provided that they are not excessive or create an appearance of impropriety, do not violate this policy. Questions regarding whether a particular payment or gift violates this policy should be directed to Human Resources Department.

L. Foreign Corrupt Practices Act

The Company requires full compliance with the Foreign Corrupt Practices Act (FCPA) by all of its employees, agents, and contractors.

The anti-bribery and corrupt payment provisions of the FCPA make illegal any corrupt offer, payment, promise to pay, or authorization to pay any money, gift, or anything of value to any foreign official, or any foreign political party, candidate or official, for the purpose of: influencing any act or failure to act, in the official capacity of that foreign official or party; or inducing the foreign official or party to use influence to affect a decision of a foreign government or agency, in order to obtain or retain business for anyone, or direct business to anyone.

All Company directors, employees, agents and contractors whether located in the United States or abroad, are responsible for FCPA compliance and the procedures to ensure FCPA compliance. All managers and supervisory personnel are expected to monitor continued compliance with the FCPA to ensure compliance with the highest moral, ethical and professional standards of the Company. FCPA compliance includes the Company's policy on Maintaining and Managing Records in Section III.I of this Code of Business Conduct and Ethics.

Laws in most countries outside of the United States also prohibit or restrict government officials or employees of government agencies from receiving payments, entertainment, or gifts for the purpose of winning or keeping business. No contract or agreement may be made with any business in which a government official or employee holds a significant interest, without the prior approval of the President.

M. Export Controls

A number of countries maintain controls on the destinations to which products or software may be exported. Some of the strictest export controls are maintained by the United States against countries that the U.S. government considers unfriendly or as supporting international terrorism. The U.S. regulations are complex and apply both to exports from the United States and to exports of products from other countries, when those products contain U.S.-origin components or technology. Software created in the United States is subject to these regulations even if duplicated and packaged abroad. In some circumstances, an oral presentation containing technical data made to foreign nationals in the United States may constitute a controlled export. The President can provide you with guidance on which countries are prohibited destinations for Company products or whether a proposed technical presentation to foreign nationals may require a U.S. Government license.

IV. RESPONSIBILITIES TO OUR CUSTOMERS AND OUR SUPPLIERS

A. Customer Relationships

If your job puts you in contact with any Company customers or potential customers, it is critical for you to remember that you represent the Company to the people with whom you are dealing. Act in a manner that creates value for our customers and helps to build a relationship based upon trust. The Company and its employees have built up significant goodwill for many years. This goodwill is one of our most important assets, and the Company directors, employees, agents and contractors must act to preserve and enhance our reputation.

B. Payments or Gifts from Others

Under no circumstances may employees, agents or contractors accept any offer, payment, promise to pay, or authorization to pay any money, gift, or anything of value from customers, vendors, consultants, etc. that is perceived as in tended, directly or

indirectly, to influence any business decision, any act or failure to act, any commitment of fraud, or opportunity for the commission of any fraud. Inexpensive gifts, infrequent business meals, celebratory events and entertainment, provided that they are not excessive or create an appearance of impropriety, do not violate this policy. Questions regarding whether a particular payment or gift violates this policy are to be directed to Human Resources or the President.

Gifts given by the Company to suppliers or customers or received from suppliers or customers should always be appropriate to the circumstances and should never be of a kind that could create an appearance of impropriety. The nature and cost must always be accurately recorded in the Company's books and records.

C. Publications of Others

The Company subscribes to many publications that help employees do their jobs better. These include newsletters, reference works, online reference services, magazines, books, and other digital and printed works. Copyright law generally protects these works, and their unauthorized copying and distribution constitute copyright infringement. You must first obtain the consent of the publisher of a publication before copying publications or significant parts of them. When in doubt about whether you may copy a publication, consult the President.

D. Handling the Confidential Information of Others

The Company has many kinds of business relationships with many companies and individuals. Sometimes, they will volunteer confidential information about their products or business plans to induce the Company to enter into a business relationship. At other times, we may request that a third party provide confidential information to permit the Company to evaluate a potential business relationship with that party. Whatever the situation, we must take special care to handle the confidential information of others responsibly. We handle such confidential information in accordance with our agreements with such third parties. See also the Company's policy on Maintaining and Managing Records in Section III.I of this Code of Business Conduct and Ethics.

(i) **Appropriate Nondisclosure Agreements.** Confidential information may take many forms. An oral presentation about a company's product development plans may contain protected trade secrets. A customer list or employee list may be a protected trade secret. A demo of an alpha version of a company's new software may contain information protected by trade secret and copyright laws.

You should never accept information offered by a third party that is represented as confidential, or which appears from the context or circumstances to be confidential, unless an appropriate nondisclosure agreement has been signed with the party offering the information. **THE PRESIDENT CAN PROVIDE NONDISCLOSURE AGREEMENTS TO FIT ANY PARTICULAR SITUATION, AND WILL COORDINATE APPROPRIATE EXECUTION OF SUCH AGREEMENTS ON BEHALF OF THE COMPANY.** Even after a nondisclosure agreement is in place, you

should accept only the information necessary to accomplish the purpose of receiving it, such as a decision on whether to proceed to negotiate a deal. If more detailed or extensive confidential information is offered and it is not necessary, for your immediate purposes, it should be refused.

(ii) **Need-to-Know.** Once a third party's confidential information has been disclosed to the Company, we have an obligation to abide by the terms of the relevant nondisclosure agreement and limit its use to the specific purpose for which it was disclosed and to disseminate it only to other Company employees with a need to know the information. Every employee, agent and contractor involved in a potential business relationship with a third party must understand and strictly observe the restrictions on the use and handling of confidential information. When in doubt, consult the President.

(iii) **Notes and Reports.** When reviewing the confidential information of a third party under a nondisclosure agreement, it is natural to take notes or prepare reports summarizing the results of the review and, based partly on those notes or reports, to draw conclusions about the suitability of a business relationship. Notes or reports, however, can include confidential information disclosed by the other party and so should be retained only long enough to complete the evaluation of the potential business relationship. Subsequently, they should be either destroyed or turned over to the President for safekeeping or destruction. They should be treated just as any other disclosure of confidential information is treated: marked as confidential and distributed only to those the Company employees with a need to know.

(iv) **Competitive Information.** You should never attempt to obtain a competitor's confidential information by improper means, and you should especially never contact a competitor regarding their confidential information. While the Company may, and does, employ former employees of competitors, we recognize and respect the obligations of those employees not to use or disclose the confidential information of their former employers.

E. Selecting Suppliers

The Company's suppliers make significant contributions to our success. To create an environment where our suppliers have an incentive to work with the Company, they must be confident that they will be treated lawfully and in an ethical manner. The Company's policy is to purchase supplies based on need, quality, service, price and terms and conditions. The Company's policy is to select significant suppliers or enter into significant supplier agreements though a competitive bid process where possible. Under no circumstances should any Company employee, agent or contractor attempt to coerce suppliers in any way. The confidential information of a supplier is entitled to the same protection as that of any other third party and must not be received before an appropriate nondisclosure agreement has been signed. A supplier's performance should never be discussed with anyone outside the Company without the prior approval of the President/Chief Financial Officer. A supplier to the Company is generally free to sell its products or services to any other party, including competitors of the Company. In some

cases where the products or services have been designed, fabricated, or developed to our specifications the agreement between the parties may contain restrictions on sales.

F. Government Relations

It is the Company's policy to comply fully with all applicable laws and regulations governing contact and dealings with government employees and public officials, and to adhere to high ethical, moral and legal standards of business conduct. This policy includes strict compliance with all local, state, federal, foreign and other applicable laws, rules and regulations. If you have any questions concerning government relations you should contact the Company's President.

G. Lobbying

Employees, agents or contractors whose work requires lobbying communication with any member or employee of a legislative body or with any government official or employee in the formulation of legislation must have prior written approval of such activity from the President. Activities covered by this policy include meetings with legislators or members of their staffs or with senior executive branch officials. Preparation, research, and other background activities that are done in support of lobbying communication are also covered by this policy even if the communication ultimately is not made.

H. Government Contracts

It is the Company's policy to comply fully with all applicable laws and regulations that apply to government contracting. It is also necessary to strictly adhere to all terms and conditions of any contract with local, state, federal, foreign or other applicable governments. The Company's President must review and approve all contracts with any government entity.

I. Free and Fair Competition

Most countries have well-developed bodies of law designed to encourage and protect free and fair competition. The Company is committed to obeying both the letter and spirit of these laws. The consequences of not doing so can be severe for all of us.

These laws often regulate the Company's relationships with its distributors, resellers, dealers, and customers. Competition laws generally address the following areas: pricing practices (including price discrimination), discounting, terms of sale, credit terms, promotional allowances, secret rebates, exclusive dealerships or distributorships, product bundling, restrictions on carrying competing products, termination, and many other practices.

Competition laws also govern, usually quite strictly, relationships between the Company and its competitors. As a general rule, contacts with competitors should be limited and should always avoid subjects such as prices or other terms and conditions of

sale, customers, and suppliers. Employees, agents or contractors of the Company may not knowingly make false or misleading statements regarding its competitors or the products of its competitors, customers or suppliers. Participating with competitors in a trade association or in a standards creation body is acceptable when the association has been properly established, has a legitimate purpose, and has limited its activities to that purpose.

No employee, agent or contractor shall at any time or under any circumstances enter into an agreement or understanding, written or oral, express or implied, with any competitor concerning prices, discounts, other terms or conditions of sale, profits or profit margins, costs, allocation of product or geographic markets, allocation of customers, limitations on production, boycotts of customers or suppliers, or bids or the intent to bid or even discuss or exchange information on these subjects. In some cases, legitimate joint ventures with competitors may permit exceptions to these rules as may bona fide purchases from or sales to competitors on non-competitive products, but the Company's President must review all such proposed ventures in advance. These prohibitions are absolute and strict observance is required. Collusion among competitors is illegal, and the consequences of a violation are severe.

Although the spirit of these laws, known as "antitrust," "competition," or "consumer protection" or unfair competition laws, is straightforward, their application to particular situations can be quite complex. To ensure that the Company complies fully with these laws, each of us should have a basic knowledge of them and should involve our President early on when questionable situations arise.

J. Industrial Espionage

It is the Company's policy to lawfully compete in the marketplace. This commitment to fairness includes respecting the rights of our competitors and abiding by all applicable laws in the course of competing. The purpose of this policy is to maintain the Company's reputation as a lawful competitor and to help ensure the integrity of the competitive marketplace. The Company expects its competitors to respect our rights to compete lawfully in the marketplace, and we must respect their rights equally. Company directors, employees, agents and contractors may not steal or unlawfully use the information, material, products, intellectual property, or proprietary or confidential information of anyone including suppliers, customers, business partners or competitors.

V. WAIVERS

Any waiver of any provision of this Code of Business Conduct and Ethics for a member of the Company's Board of Directors or a senior executive officer must be approved in writing by the independent members of the Company's Board of Directors and promptly disclosed. Any waiver of any provision of this Code of Business Conduct and Ethics with respect any other employee, agent or contractor must be approved in writing by the President.

VI. DISCIPLINARY ACTIONS

The matters covered in this Code of Business Conduct and Ethics are of the utmost importance to the Company, its shareholders and its business partners, and are essential to the Company's ability to conduct its business in accordance with its stated values. We expect all of our directors, employees, agents, contractors and consultants to adhere to these rules in carrying out their duties for the Company.

The Company will take appropriate action against any director, employee, agent, contractor or consultant whose actions are found to violate these policies or any other policies of the Company. Disciplinary actions may include immediate termination of employment or business relationship at the Company's sole discretion. Where the Company has suffered a loss, it may pursue its remedies against the individuals or entities responsible. Where laws have been violated, the Company will cooperate fully with the appropriate authorities. You should review the Company's policies and procedures at for more detailed information.

ACKNOWLEDGMENT OF RECEIPT OF CODE OF BUSINESS CONDUCT AND ETHICS

I have received and read the Company's Code of Business Conduct and Ethics. I understand the standards and policies contained in the Company Code of Business Conduct and Ethics and understand that there may be additional policies or laws specific to my job. I further agree to comply with the Company Code of Business Conduct and Ethics.

If I have questions concerning the meaning or application of the Company Code of Business Conduct and Ethics, any Company policies, or the legal and regulatory requirements applicable to my job, I know I can consult my manager, the Human Resources Department or the President, knowing that my questions or reports to these sources will be maintained in confidence.

_____

Name/Title

_____

Signature

_____

Date

Please sign and return this form to the President.

CODE OF ETHICS FOR DIRECTORS AND SENIOR EXECUTIVE OFFICERS

Purpose

The purpose of this Code of Ethics is to promote the honest and ethical conduct of the Senior Executives (as defined below) of Save the World Air, Inc. ("STWA"), including the ethical handling of actual or apparent conflicts of interest between personal and professional relationships; full, fair, accurate, timely and understandable disclosure in periodic reports filed by STWA and compliance with all applicable rules and regulations applicable to STWA and its officers.

Applicability

This Code of Ethics is presently applicable to all STWA's Directors, its Chairman/Chief Executive Officer, President and Chief Operating Officer (and persons appointed to "senior executive positions" at later dates), together, "Senior Executives."

While we expect honest and ethical conduct in all aspects of our business from all of our employees, we expect the highest possible honest and ethical conduct from our Senior Executives. As a Senior Executive, you are an example for other employees and we expect you, through your leadership role, to foster a culture of transparency, integrity and honesty. Your responsibilities include maintaining a culture of high ethical standards and commitment to compliance and a work environment that encourages employees to raise concerns, and promptly addresses employee compliance concerns.

STWA's Code of Business Conduct, which this Code of Ethics for Senior Executive, sets forth the fundamental principles and key policies and procedures that govern the conduct of all STWA employees, officers and directors. You are bound by the requirements and standards set forth in the Code of Business Conduct, as well as those set forth in this Code of Ethics and other applicable policies and procedures. In the event of any conflict between the Code of Business Conduct and this Code of Ethics, this Code of Ethics shall govern your behavior or any required approvals or waivers. Compliance with this Code of Ethics is a condition of your employment or directorship and any violations of this Code may result in disciplinary action, up to and including termination of your employment.

Waivers of this Code of Ethics may be made only by the Board of Directors of STWA or a committee of the Board of Directors comprised solely of independent directors. Any waivers of this Code of Ethics will be disclosed in accordance with applicable law, regulation or the requirements of any listing criteria of an exchange upon which STWA's stock may be traded.

Compliance With Laws, Rules And Regulations

You are expected to comply with both the letter and spirit of all applicable laws, rules and regulations governing the conduct of our business and to report any suspected violations of all applicable laws, rules and regulations to either the Chair of the Audit Committee or the Chair of the Corporate Governance Committee. You will not be subject to retaliation because of a good faith report of a suspected violation of this Code of Ethics.

Fraud, Theft, Bribery And Similar Conduct

Any act that involves theft, fraud, embezzlement, or misappropriation of any property, including that of STWA or any of its employees, suppliers or customers, is prohibited. Offering or accepting kickbacks or bribes are forbidden.

Auditors

Fraudulently influencing, misleading, coercing or manipulating the auditor of STWA's financial statements for the purpose of rendering those financial statements materially misleading is prohibited.

Revenue Recognition

Senior Executives must ensure that all revenue transactions are completed, to the best of the Senior Executive's knowledge, in accordance with STWA's revenue recognition policies.

All commitments or representations made to customers or distributors or potential customers or distributors must be included in the final contract with the customer or distributor or related documentation submitted with customer or distributor orders. Employees must not make any commitments to the customer or distributor, orally or in writing, which have not been documented in the agreement or submitted to the STWA finance and/or contract departments. STWA prohibits side-letters or kickbacks with customers or distributors or potential customers or distributors.

Accurate Periodic Reporting and Disclosure

As a public company, STWA is required to file periodic and other reports with the Securities and Exchange Commission ("SEC"). STWA's policy is to make full, fair, accurate, timely and understandable disclosure in compliance with all applicable laws and regulations in all reports and documents that STWA files with, or submits to, the SEC and in all other public communications made by STWA. As a Senior Executive, you are required to promote compliance with this policy and to abide by all STWA standards, policies and procedures designed to promote compliance with this policy.

Accurate Record Keeping

Every Senior Executive must maintain accurate and complete records, including providing accurate and complete information to the accounting and the finance departments. No false, misleading or artificial entries may be made on, or be provided for entry on, STWA's books and records. No funds or assets may be maintained by STWA for any illegal or improper purposes. All transactions must be fully and completely documented and recorded in STWA's accounting records. It is against STWA policy to make entries that intentionally conceal or disguise the true nature of any transaction.

Conflicts of Interest

It is STWA's policy that you should avoid transactions, commitments, and other activities which are not in STWA's best interests or which could involve an actual conflict, or the appearance of a conflict, between your interests and those of STWA.

It is not possible to define all situations that could involve a conflict of interest; in most instances, however, sound business judgment should be sufficient to evaluate a situation.

A conflict of interest exists when your loyalties are divided between STWA's interests and your own interests, those of your family, or those of a customer, supplier or competitor. You are expected to avoid both the fact and appearance of conflicts of interest.

The prohibition against acting in a dual capacity in transacting STWA business, and from acquiring interests adverse to STWA, is applicable irrespective of your intentions and without regard to whether the action caused, or has the potential to cause, injury to STWA.

The following is presented as a guide in determining circumstances that might create conflicts of interest; they are not intended, however, to cover all possible situations.

- Representing STWA in any transaction if your personal interests might affect your ability to represent STWA's interests fairly and impartially. You must not knowingly or voluntarily permit yourself to be placed in a position where your interests may become adverse to STWA's interests. You must not allow personal relationships with current or prospective customers or suppliers to influence business decisions.

- Investment by you or a member of your immediate family in a customer, supplier, or competitor (or any company/partnership affiliated with a customer, supplier, or competitor) of STWA is prohibited if you have or would have the opportunity to influence business transactions between STWA and the customer, supplier, or competitor. Passive investments in

publicly traded companies shall not be a violation if you or a member of your immediate family owns less than 1% of such company's outstanding stock.

- You must not take for yourself nor direct to others any existing business or any opportunities for prospective business that could be considered by STWA.

- It is a conflict of interest to serve as a director of any company that competes with STWA. You may not serve as a director of a private company that is a supplier, customer, developer, or other business partner without first obtaining the approval of the Chair of the Corporate Governance Committee. You also may not become a director of any public company, without first obtaining the approval of the Chair of the Corporate Governance Committee.

- You must not speculate or deal in materials, supplies, equipment or products that STWA buys or sells, or in property rights in which STWA may be interested.

- Solicitation or acceptance by you or a member of your immediate family of any personal loan or guarantee from a customer, supplier or competitor.

Before acting in a manner that creates or appears to create a conflict of interest, you must make full disclosure to and obtain written approval of either the Chair of the Audit Committee or the Chair of the Corporate Governance Committee.

Compliance with the Code; Reporting of Violations

If you have questions about this Code of Ethics for Senior Executive and Financial Officers, you should seek guidance from STWA's legal counsel. If you know of or suspect a violation of applicable laws or regulations or this Code of Ethics for Senior Executive and Financial Officers, you must immediately report that information to either the Chair of the Audit Committee or to the Chair of the Board of Directors. *No one will be subject to retaliation because of a good faith report of a suspected violation.*

No Rights Created

This Code of Ethics is a statement of certain fundamental principles, policies and procedures that govern STWA's Senior Executives in the conduct of STWA's business. It is not intended to and does not create any rights in any employee, customer, supplier, competitor, stockholder or any other person or entity.

ACKNOWLEDGMENT

I have received and read the Code of Ethics for Senior Executive and Financial Officers, and I understand its contents. I agree to comply fully with the standards contained in the Code of Ethics and STWA's related policies and procedures. I understand that I have an obligation to promptly report to either the Chair of the Audit Committee or the Chair of the Corporate Governance Committee any suspected violation of the Code of Ethics for Senior Executive and Financial Officers.

_____

_____

Signature

Date_____

Exhibit 23.1

[WEINBERG & COMPANY, P.A. LETTERHEAD]

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors
Save The World Air, Inc.

We hereby consent to the incorporation by reference in the previously filed Registration Statement of Save The World Air, Inc (a Development Stage Enterprise) on Form S-8 (File No. 333-122210) of our report, dated April 11, 2005, appearing in this Annual Report on Form 10-KSB of Save The World Air, Inc (a Development Stage Enterprise) for the year ended December 31, 2004.

/s/ WEINBERG & COMPANY, P.A.

WEINBERG & COMPANY, P.A.

Boca Raton, Florida
April 25, 2005

EXHIBIT 31.1

CERTIFICATION OF THE CHIEF EXECUTIVE OFFICER
PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002 AND
RULES 13A-14 AND 15D-14 UNDER THE SECURITIES EXCHANGE ACT OF 1934

I, Edward L. Masry, Chief Executive Officer, certify that:

1. I have reviewed this 10-KSB of Save the World Air, Inc. (the "Company");

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the Company's as of, and for, the periods presented ire this report;

4. The Company's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the Company's and have:

a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the Company's, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

c. Evaluated the effectiveness of the Company's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

d. Disclosed in this report any change in the Company's internal control over financial reporting that occurred during the Company's most recent fiscal quarter (the Company's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting; and

5. The Company's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the Company's auditors and the audit committee of the Company's board of directors (or persons performing the equivalent functions):

a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the Company's ability to record, process, summarize and report financial information; and

b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the Company's internal control over financial reporting.

Date: April 25, 2005

/s/ EDWARD L. MASRY
Edward L. Masry
Chief Executive Officer

EXHIBIT 31.2

CERTIFICATION OF THE CHIEF FINANCIAL OFFICER
PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002 AND
RULES 13A-14 AND 15D-14 UNDER THE SECURITIES EXCHANGE ACT OF 1934

I, Eugene E. Eichler, Chief Financial Officer, certify that:

1. I have reviewed this 10-KSB of Save the World Air, Inc. (the "Company");

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the Company's as of, and for, the periods presented ire this report;

4. The Company's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the Company's and have:

a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the Company's, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

c. Evaluated the effectiveness of the Company's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation;

d. Disclosed in this report any change in the Company's internal control over financial reporting that occurred during the Company's most recent fiscal quarter (the Company's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting; and

5. The Company's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the Company's auditors and the audit committee of the Company's board of directors (or persons performing the equivalent functions):

a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the Company's ability to record, process, summarize and report financial information; and

b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the Company's internal control over financial reporting.

Date: April 25, 2005

/s/ EUGENE E. EICHLER
Eugene E. Eichler
Chief Financial Officer

Exhibit 32.1

Certification of Periodic Financial Report by the Chief Executive Officer and Chief Financial Officer Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

Solely for the purposes of complying with 18 U.S.C. §1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, we, the undersigned Chief Executive Officer and Chief Financial Officer of Save the World Air, Inc. (the "Company"), hereby certify, based on our knowledge, that the Annual Report on Form 10-KSB of the Company for the year ended December 31, 2004 (the "Report") fully complies with the requirements of Section 13(a) of the Securities Exchange Act of 1934 and that the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Dated: April 25, 2005

By: /s/ EDWARD L. MASRY
Edward L. Masry
Chief Executive Officer

Dated: April 25, 2005

By: /s/ EUGENE E. EICHLER
Eugene E. Eichler
Chief Financial Officer