SECURITIES AND EXCHANGE COMMISSION

FORM 10QSB/A

Optional form for quarterly and transition reports of small business issuers under section 13 or 15(d) [amend]

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FILER

SAC TECHNOLOGIES INC
CIK:**1019034**| IRS No.: **411761861** | State of Incorp.:**MN** | Fiscal Year End: **1231**
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SIC: **3576** Computer communications equipment

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U.S. SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-QSB/A

[X] QUARTERLY REPORT PURSUANT TO SECTION 13 OF THE SECURITIES EXCHANGE ACT OF 1934

For the Quarter Ended September 30, 1998

[ ] TRANSITION REPORT UNDER SECTION 13 OR 15(d) OF THE EXCHANGE ACT

For the transition period from __________ to ___________

Commission file number 1-13463

SAC TECHNOLOGIES, INC.
(Exact name of small business Issuer as specified in its charter)

MINNESOTA	41-1741861
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

4444 West 76th Street, Suite 600, Edina, MN 55435
(Address of principal executive offices)

(612) 835-7080
(Issuer's telephone number)

Check whether the issuer (1) filed all reports required to be filed by Section 13 or 15(d) of the Exchange Act during the past 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 _X_ No ___

Shares of the registrant's Common Stock, par value $.01 per share, outstanding as of November 5, 1998: 7,510,867.

SAC TECHNOLOGIES, INC.

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SAC Technologies, Inc.
(a Corporation in the Development Stage)

BALANCE SHEETS

<TABLE>
<CAPTION>

ASSETS	December 31, 1997	September 30, 1998 (unaudited)
<S>	<C>	<C>
CURRENT ASSETS		
Cash and cash equivalents	$ 3,351,753	$ 2,036,238
Accounts receivable, net	56,770	125,638
Inventories	464,927	413,035
Prepaid expenses	110,760	185,087
Total current assets	3,984,210	2,759,998
EQUIPMENT AND FURNITURE AND FIXTURES - AT COST, less accumulated depreciation	163,966	151,251
OTHER ASSETS (note 4)	17,518	274,118
	$ 4,165,694	$ 3,185,367
LIABILITIES AND STOCKHOLDERS' EQUITY (DEFICIT)		
CURRENT LIABILITIES		
Accounts payable	$ 288,688	$ 261,018
Accrued liabilities and other (note 5)	235,323	95,274
Convertible debentures, net of discount of $508,200 (note 6)	--	1,991,800
Total current liabilities	524,011	2,348,092
COMMITMENTS AND CONTINGENCIES (note 9)	--	--
STOCKHOLDERS' EQUITY (DEFICIT) (note 7)		
Common stock - authorized, 20,000,000 shares of $.01 par value; issued and outstanding, 7,461,367 and 7,510,867 shares	74,614	75,108
Additional contributed capital	7,241,690	8,960,136
Deficit accumulated during the development stage	(3,583,666)	(8,126,963)
Unearned compensation	(90,955)	(71,006)
	3,641,683	837,275
	$ 4,165,694	$ 3,185,367

</TABLE>

See accompanying notes to interim financial statements.

SAC Technologies, Inc.
(a Corporation in the Development Stage)

STATEMENT OF OPERATIONS
(unaudited)

<TABLE>
<CAPTION>

January 7,

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	Three months ended September 30, 1997	Three months ended September 30, 1998	Nine months ended September 30, 1997	Nine months ended September 30, 1998	1993 (date of inception) through September 30, 1998
<S>	<C>	<C>	<C>	<C>	<C>
Revenues					
Product sales	$ 74,008	$ 63,170	$ 118,318	$ 344,762	$ 497,546
Reimbursed research and development	--	--	36,000	10,200	284,506
Technical support and other services	78,677	--	195,467	7,750	429,885
	152,685	63,170	349,785	362,712	1,211,937
Costs and other expenses					
Cost of product sales	60,137	394,659	141,290	955,172	1,187,011
Cost of technical support and other services	54,244	--	102,496	1,846	237,078
Selling, general and administrative	689,111	608,884	1,591,019	2,489,590	5,283,225
Research and development	119,995	329,666	344,662	1,324,285	2,619,508
	923,487	1,333,209	2,179,467	4,770,893	9,326,822
Operating loss	(770,802)	(1,270,039)	(1,829,682)	(4,408,181)	(8,114,885)
Other income (expense)					
Interest and other income	62,608	36,836	151,616	81,684	282,323
Interest expense	--	(216,800)	(3,897)	(216,800)	(256,304)
	62,608	(179,964)	147,719	(135,116)	26,019
NET LOSS	$ (708,194)	$(1,450,003)	$(1,681,963)	$(4,543,297)	$(8,088,866)
Basic and diluted loss per common share	$ (.10)	$ (.19)	$ (.24)	$ (.61)	$ (1.51)
Weighted average number of shares outstanding	7,437,500	7,510,106	6,992,000	7,488,998	5,343,499

</TABLE>

See accompanying notes to interim financial statements.

SAC Technologies, Inc.
(a Corporation in the Development Stage)

STATEMENTS OF CASH FLOWS
(unaudited)

<TABLE>
<CAPTION>

	Three months ended September 30, 1997	Three months ended September 30, 1998	Nine months ended September 30, 1997	Nine months ended September 30, 1998	January 7, 1993 (date of inception) through 1998
<S>	<C>	<C>	<C>	<C>	<C>
Increase (Decrease) in Cash and Cash Equivalents					
Cash flows from operating activities					
Net loss	$ (708,194)	$(1,450,003)	$(1,681,963)	$(4,543,297)	$(8,088,866)
Adjustments to reconcile net loss to net cash used in operating activities:					
Depreciation	13,171	12,000	30,789	40,500	85,605
Amortization					
Warrants	--	16,800	--	16,800	20,967
Unearned compensation	18,940	23,052	46,440	78,468	153,722
Deferred financing costs	--	23,400	--	23,400	23,400
Convertible debentures discount	--	200,000	--	200,000	200,000
Allowance for uncollectible receivables	--	--	--	--	99,000
Write-down of inventory	--	300,000	--	500,000	500,000
Interest converted to common stock	--	--	--	--	1,841
Revenues realized due to offset of billings against a stock repurchase	--	--	--	--	(170,174)
Options issued for license rights	--	--	--	200,000	200,000
Option issued in connection with distribution agreement	--	--	--	352,650	352,650
Acquired research and development	--	--	--	--	117,000
Warrants issued for services	--	37,500	27,500	37,500	65,000
Warrants issued for underwriter termination of first					

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right of refusal	--	(172,000)	--	132,000	132,000
Contribution of services	--	--	--	--	11,250
Non-cash exercise of stock options	--	--	--	--	21,593
Change in assets and liabilities:					
Accounts receivable	(108,448)	(67,433)	(195,388)	(68,868)	(224,638)
Inventories	(95,140)	(2,437)	(282,420)	(448,108)	(913,035)
Prepaid expense	8,289	(20,826)	(76,392)	(74,327)	(185,087)
Accounts payable	(91,152)	(176,771)	(108,099)	(27,670)	221,018
Accrued liabilities	230,484	17,688	288,133	(140,049)	146,235
	(23,856)	190,973	(269,437)	822,296	858,347
Net cash used in operating activities	(732,050)	(1,259,030)	(1,951,400)	(3,721,001)	(7,230,519)
Cash flows from investing activities					
Capital expenditures	(45,365)	(3,632)	(166,668)	(27,785)	(236,856)
Security deposits	(800)	--	(8,101)	--	(12,984)
Patents and trademarks	--	--	--	--	(4,534)
Net cash used for investing activities	(46,165)	(3,632)	(174,769)	(27,785)	(254,374)
Cash flows from financing activities					
Restricted cash	--	2,320,000	--	--	--
Net payments under short-term borrowing agreements	--	--	(330,000)	--	(117,000)
Issuance of convertible bridge notes	--	--	--	--	175,000
Issuance of convertible debentures	--	--	--	1,775,000	1,775,000
Issuance of warrants and convertible debentures discount	--	--	--	725,000	750,000
Deferred financing costs	--	--	--	(180,000)	(180,000)
Exercise of stock options	--	7,875	--	113,271	162,299
Sales of common stock	--	--	6,368,392	--	7,093,832
Redemption of common stock	--	--	--	--	(138,000)
Net cash provided by financing activities	--	2,327,875	6,038,392	2,433,271	9,521,131
Net increase (decrease) in cash and cash equivalents	(778,215)	1,065,213	3,912,223	(1,315,515)	2,036,238
Cash and cash equivalents, at beginning of period	4,779,571	971,025	89,133	3,351,753	--
Cash and cash equivalents, at end of period	$ 4,001,356	$ 2,036,238	$ 4,001,356	$ 2,036,238	$ 2,036,238

</TABLE>

See accompanying notes to interim financial statements.

SAC Technologies, Inc.
(a Corporation in the Development Stage)

NOTES TO INTERIM FINANCIAL STATEMENTS
December 31, 1997, and September 30, 1997 and 1998 (unaudited)

1. Unaudited Statements

The accompanying unaudited interim financial statements have been prepared by SAC Technologies, Inc. (the "Company") in accordance with generally accepted accounting principles, pursuant to the rules and regulations of the Securities and Exchange Commission. Pursuant to such rules and regulations, certain financial information and footnote disclosures normally included in the financial statements have been condensed or omitted.

In the opinion of management, the accompanying unaudited interim financial statements contain all necessary adjustments, consisting only of those of a recurring nature, and disclosures to present fairly the financial position and the results of its operations and cash flows for the periods presented. It is suggested that these interim financial statements be read in conjunction with the financial statements and the related notes thereto included in the Company's Annual Report on Form 10-KSB for the fiscal year ended December 31, 1997.

2. Liquidity Matters

Broad commercial acceptance of the Company's products by customers and end users is critical to the Company's success and ability to generate revenues. The Company has limited sales to date, principally to affiliates

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of the Company, and has accumulated losses since inception of $8,088,866, of which $4,543,297 was incurred during the nine months ended September 30, 1998. The Company believes operating losses will continue for the foreseeable future.

As discussed at Item 2 "Management's Discussion and Analysis of Financial Condition and Results of Operations" the Company is not currently in technical compliance with certain listing requirements of the NASDAQ Small Cap Market. The Company has responded to a NASDAQ letter related to this matter. In order to achieve compliance and maintain its listing on the SmallCap Market, the Company must increase its net tangible assets, either through the issuance of securities or otherwise, by approximately $5,000,000. On January 25, 1999 the Company received a notice of delisting from NASD. On February 1, 1999, the Company requested an oral hearing objecting to the proposed delisting and on February 25, 1999 the Company received notice that such hearing will be held on April 15, 1999. If the Company is not in compliance with the continued listing requirements applicable to the Nasdaq SmallCap Market by the date of the hearing, its shares will likely be delisted from the Nasdaq SmallCap Market. If the Company is delisted, in addition to the consequences and associated risks previously described in the Company's quarterly and annual reports filed under the Securities Exchange Act of 1934, it would put the Company in default under the terms of the Company's $2,500,000 convertible debentures and could accelerate the repayment thereof. In addition, without considering the impact of a demand to repay the convertible debentures, the Company believes its existing cash will not be adequate to fund the expansion and distribution of its product offerings, and it anticipates it will need to raise additional funds to support operations.

Should demand be made for repayment of the convertible debentures, the Company does not have the necessary capital to repay the $2,500,000 convertible debentures. Should demand not be made, the Company's existing cash may only last until second quarter 1999 based on the Company's current cash burn rate. Based on current plans and excluding a demand for repayment of the convertible debentures, the Company estimates it needs approximately $3,000,000 to $5,000,000 to support operations through September 30, 1999.

Management is in discussions with a financial broker to raise additional capital to support its operations which may involve the issuance of additional debt or equity securities. If a demand for repayment of the convertible debentures is made without sufficient cash on hand to support operations, management intends to discuss alternatives for repayment with the convertible debenture holders. No assurances can be given the above or that any other form of additional financing will be available on terms acceptable to the Company, that adequate financing will ultimately be obtained to meet its needs, or that such financing would not be dilutive to existing stockholders. Also, no assurances can be given that the convertible debenture holders would agree to any alternatives for repayment, if the Company is required to discuss alternatives for repayment.

If adequate financing is not obtained within the near term, the Company expects its accountants will include a going concern reference in their opinion on the December 31, 1998 financial statements.

3. Loss Per Common Share

Basic loss per share is calculated by dividing the net loss attributable to common stockholders by the number of weighted average common shares outstanding. Diluted earnings per share were calculated by dividing the net loss attributable to common stockholders by the weighted average common shares, and when dilutive, options, warrants and convertible securities outstanding using the treasury stock method. There was no difference between basic and dilutive loss per share for all periods presented as the impact would have been antidilutive.

4. Other Assets

	December 31, 1997	September 30, 1998
Security deposits	$ 12,984	$ 12,984

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Patents pending	4,534	4,534
Deferred finance costs, less accumulated amortization of $23,400 as of September 30, 1998	--	256,600
	$ 17,518	$274,118

Of the above deferred finance costs, $100,000 was a non-cash transaction resulting from granting stock warrants for 50,000 shares of common stock in connection with a private convertible debenture offering (see note 7).

5. Accrued Liabilities and Other

	December 31, 1997	September 30, 1998
Compensation	$232,105	$ 61,882
Deferred revenues	--	27,222
Other	3,218	6,170
	$235,323	$ 95,274

Included in accrued compensation as of December 31, 1997 and September 30, 1998 is $218,438 and $46,215, respectively, which is the remaining amount payable from a severance agreement with the Company's former Chief Operating Officer.

6. Convertible Debentures

On June 30, 1998, the Company sold to Shaar Fund, Ltd., an international investment fund, $2,500,000 of 5% convertible debentures due June 30, 2001. At the Company's option, an additional $1,000,000 of 5% convertible debentures may be sold to Shaar Fund, Ltd. if certain targets are met, including certain minimum share price and trading volume levels for the Company's common stock. No assurances can be given that the Company will meet the targets to be able to exercise the option on the $1,000,000 of additional convertible debentures discussed above.

The debentures are convertible into shares of the Company's common stock in increments beginning 120 days from June 30, 1998 and are fully convertible after 181 days. The conversion price equals the lesser of (a) 110% of the closing bid price of the common stock on June 29, 1998, or (b) the average closing bid price for a five-day period ending the day prior to the notice of conversion multiplied by a discount factor, which increases over time from 15% to 22%.

The convertible debentures are redeemable at the option of the Company under certain circumstances. The Company was obligated to file, and has filed a registration statement (not yet effective) covering the resale of the shares of common stock underlying the debentures and the detachable warrants, among other securities.

The $525,000 estimated fair value of the debenture conversion feature has been reflected as a discount to the 5% convertible debentures issued and will be amortized as additional interest expense principally through February 26, 1999, the date the debenture holder is able to convert their debenture at the maximum 22% discount discussed above.

The estimated fair market value of the debenture conversion feature was calculated by applying the maximum 22% discount rate over the maximum discount period of 240 days. A 7% discount rate was then applied to calculate the net present value of the conversion feature of $525,000. The estimated fair market value of the above warrants were calculated by using three different valuation models (the Black-Scholes and Shelton models, and a comparative market approach), each of which assumes the warrants are freely traded in the marketplace. Since the warrants issued are not freely tradable in the marketplace, a 33% discount was applied to the freely traded value. See note 7 for discussion of revised estimates (for the

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second quarter June 30, 1998) regarding the valuation of the above and other warrants during the third quarter ended September 30, 1998.

In connection with the convertible debentures, the Company granted a warrant to purchase 100,000 shares of common stock to Shaar Fund, Ltd. The $200,000 estimated fair market value of the warrant has been reflected as a discount to the 5% convertible debentures issued and will be amortized as additional interest expense over the term of the debentures. In connection with this transaction, a warrant to purchase 200,000 shares of common stock was also issued to Tuschner & Company, Inc. (TCI), underwriter for the Company's initial public offering, as part of an agreement in which TCI agreed to waive all future rights of first refusal to sell the Company's securities; the right to 66,000 of such shares vests immediately and the right to 134,000 of such shares vests upon the occurrence of certain events discussed at note 9. The $132,000 estimated fair market value of the portion of the warrant which vested immediately has been reflected as a component of selling, general and administrative expenses for the nine months ended September 30, 1998, as this portion of the warrant relates to TCI's agreement to relinquish its right of first refusal to sell the Company's securities. The $268,000 estimated fair market value of the remaining portion of the warrant which did not vest immediately may be offset against proceeds from a future public offering, if one occurs (see notes 7 and 9). For accounting purposes, the Company has not reflected this amount as a deferred finance cost with a corresponding increase to stockholders equity as it believes it is more appropriate to offset such amounts against proceeds of a public offering, since such an offering is not assured.

6. Convertible Debentures - Continued

The convertible debentures agreement contains certain dilution and conversion price adjustment provisions if certain events occur, as defined. In addition, the Company is required to meet certain covenants, including the maintenance of its listing in the NASDAQ Small Cap Market; in the event of repayment, the Company is subject to certain redemption premium costs of up to 24% of the principle amount repaid; and the Company is subject to penalties for late registration of the convertible debentures of 2% of the principle balance per month commencing in December. As discussed at Note 2, the Company was not in technical compliance with the NASDAQ Small Cap Market listing requirements as of September 30, 1998, and if demand is made, the convertible debentures could become due and payable. Accordingly, the convertible debentures have been classified as a current liability in the accompanying financial statements because it could become immediately due and payable in full, if the Company is delisted.

7. Stockholders' Equity

The following summarizes option activity since December 31, 1997:

<TABLE>
<CAPTION>

	Date of Grant, Exercise or Expiration	Number		Exercise Price	Vesting	Expiration	Issued to
		1996 Plan	Non-plan options and warrants				
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
Balance December 31, 1997	--	451,166	297,216	$ --	--	--	--
Option grant	1/1/98	2,500	--	10.75	125 shares per quarter	1/1/05	Employee
Option grant	2/2/98	10,000	--	8.56	500 shares per quarter	2/1/05	Employee
Option grant	2/13/98	--	48,000	6.42	12,000 shares immediately; 3,000 per quarter Thereafter	2/13/08	An entity the Company entered into a license agreement with

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Option grant	3/1/98	40,000	--	8.29	2,000 shares per quarter	3/1/05	Employee
Option grant	4/13/98	--	100,000	8.46	75,000 upon payment for 1,000 SACcat units and 25,000 if ATM purchases And pays for an additional 1,000 units by July 1, 1998	4/13/05	ATM (see Item 2)
Option grant	6/20/98	8,000	--	6.56	400 shares per quarter	6/20/05	Employee
Warrant grant	6/30/98	--	100,000	7.29	Immediately	6/30/03	Shaar Fund, Ltd.
Warrant grant	6/30/98	--	50,000	7.29	Immediately	6/30/03	Company arranging Shaar financing
Warrant grant	6/30/98	--	200,000	7.50	66,000 immediately; 134,000 at closing of the Next "public offering"	6/30/03	Tuschner & Co.
Option granted	9/15/98	--	375,000	3.00	Fully vested after 3 months	9/15/03	McCap, Inc.
Options exercised	Various	(42,000)	(7,500)	--	--	--	--
Options cancelled	Various	(30,000)	--	--	--	--	--
Balance, September 30, 1998		439,666	1,162,716				
Exercisable, September 30, 1998		86,447	651,816				

</TABLE>

* As of July 1, 1998, ATM did not meet its purchase requirements in order to vest in the remaining 25,000 shares under the option.

7. Stockholders' Equity - Continued

The difference between the option exercise price and estimated fair value of common stock at the date of grant for the option to purchase 40,000 shares of common stock is $58,520 and has been reflected as unearned compensation in the Company's financial statements to be recognized as a non-cash component of selling, general and administrative expense over the five-year vesting term of the stock option agreement. The estimated fair market value of the option to purchase 48,000 shares of common stock of $200,000 has been reflected as a non-cash component of research and development costs for the nine months ended September 30, 1998. The estimated fair market value of the option to purchase 75,000 shares of common stock of $352,600, has been reflected as a non-cash component of selling, general and administrative expenses for the nine months ended September 30, 1998. In September the Company issued the McCap, Inc. Agency an option to purchase 375,000 shares of common stock. The $37,500 approximate fair market value of the option has been reflected as a non-cash component of selling, general and administrative expenses for the nine months ended September 30, 1998. See note 6 for additional information regarding the estimated fair market value of other warrants granted.

After the filing of the Company's Second Quarter Form 10-QSB, the Company retained additional outside valuation assistance to review previous estimates of certain warrants values. Based upon this assistance (see note 6 for discussion of assumptions and methods used), the Company lowered its previous estimate of fair market value of certain warrant issuance's, principally because lack of marketability was not considered in the earlier estimate, as follows:

Date issued	Number of Warrants	Original Value	Revised Value

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Shaar	6/30/98	100,000	$470,000	$200,000
CCM	6/30/98	50,000	230,000	100,000
Tuschner	6/30/98	66,000	304,000	132,000

The majority of the impact of the above was to the balance sheet as of June 30, 1998. However, approximately $172,000 of the above would have resulted in a non-cash reduction of reported net loss for the second quarter ended June 30, 1998.

8. Related Party Transactions

Included in accounts receivable as of December 31, 1997 and September 30, 1998 are $156,895 and $139,420, respectively of amounts due from Jasper Consulting, Inc. During the three and nine months ended September 30, 1997 and 1998, $63,678 and $216,467, and $20,400 and $283,329, respectively of revenues were recognized from transactions with ATM, Inter-Con/PC, Inc. and Jasper Consulting, Inc. See "Management's Discussion and Analysis of Financial Condition and Results of Operations" for further information regarding the Company's relationship with Inter-Con/PC, Inc. and Jasper Consulting, Inc.

8. Related Party Transactions

In addition, the Company had transactions with IR & D (a major stockholder of the Company was previously a owner and a director of IR & D through August 12, 1998). Accounts receivable from IR & D as of September 30, 1998 were $12,271. Accounts payable to IR & D as of September 30, 1997 and 1998 were $1,392 and $16,294, respectively. Purchases during the three months and nine months ended September 30, 1997 and 1998 were $8,147 and $46,884 and $29,037 and $240,019, respectively. See "Management's Discussion and Analysis of Financial Condition and Results of Operations" for further information regarding Company's relationship with IR & D.

9. Commitments and Contingencies

On June 30, 1998, the Company entered into an agreement with TCI whereby TCI agreed to waive all future rights of first refusal to sell the Company's securities. In exchange for this, the Company agreed to pay TCI $100,000, of which $34,000 was paid after closing on the sale of convertible debentures and $66,000 will be due if the Company closes on a future public offering. Payment of the $100,000 would be reduced by any amount TCI might receive as a non-accountable expense allowance if a future public offering occurs. In addition, TCI would have the right , until June 30, 1999 to participate as a select dealer or co-selling agent or co-underwriter to the extent of ten percent (10%) of any future offering of securities, whether public or private, for a period of one year.

During September, 1998 the Company entered into a one year agreement with MacCap, Inc. to help develop a strategic growth plan and to enhance shareholder value. The Company will pay the McCap, Inc. $10,000 a month for their services and, as discussed in note 7, granted McCap, Inc. an option to purchase 375,000 of its common stock.

On or about August 11, 1998 a lawsuit was filed in Hennepin county District Court against the Company. Plaintiffs Johnson and Norenberg have alleged that they were wrongfully terminated or constructively discharged from their employment with the Company. Their complaint seeks relief in an amount in excess of $50,000 for each of the respective plaintiffs. The Company adamantly denies the validity of the plaintiff's claims or the extent of plaintiff's damages. It is the Company's intention to proceed with further discovery and move towards a motion to dismiss plaintiff's claims.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

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THIS FORM 10-QSB CONTAINS FORWARD-LOOKING STATEMENTS. FOR THIS PURPOSE, ANY STATEMENTS CONTAINED IN THIS FORM 10-QSB THAT ARE NOT STATEMENTS OF HISTORICAL FACT MAY BE DEEMED TO BE FORWARD-LOOKING STATEMENTS. WITHOUT LIMITING THE FOREGOING, WORDS SUCH AS "MAY," "WILL," "EXPECT," "BELIEVE," "ANTICIPATE," OR "CONTINUE" OR THE NEGATIVE OF OTHER VARIATION THEREOF OR COMPARABLE TERMINOLOGY ARE INTENDED TO IDENTIFY FORWARD-LOOKING STATEMENTS. THESE STATEMENTS BY THEIR NATURE INVOLVE SUBSTANTIAL RISKS AND UNCERTAINTIES, AND ACTUAL RESULTS MAY DIFFER MATERIALLY DEPENDING ON A VARIETY OF FACTORS INCLUDING, WITHOUT LIMITATION, THE RISK FACTORS SET FORTH IN THE "RISK FACTORS" SECTION OF THE COMPANY'S REGISTRATION STATEMENTS ON FORM SB-2 (FILE NO. 333-16451) AND FORM S-3 AND THE COMPANY'S ANNUAL AND QUARTERLY REPORTS, ALONG WITH OTHER PERIODIC REPORTING ON FORMS 10-QSB, 10-KSB AND 8-K, AS FILED FROM TIME TO TIME WITH THE SEC.

OVERVIEW

The Company was incorporated in 1993. The Company develops and markets biometric technology products. To date, the Company has focused on developing products for use by others in specific applications and developing an end user product for computer security and access control applications. The Company's products are marketed to distributors, VAR's (Value Added Resellers), OEM's (Original Equipment Manufacturers) and system integrators in the information management and access control markets.

The Company has two products currently available and it intends to devote significant effort in the near term to enhancing the performances and capabilities of these existing products. In this regard, the Company has licensed certain other biometric technologies that it intends to incorporate into its current product offerings. The Company is dependent upon others to incorporate such technologies with its existing and future products. No assurance can be given that these technologies will be incorporated in a manner acceptable to potential customers, that it will be timely implemented, or that the products' costs will be acceptable to the marketplace.

The Company is considered a development stage enterprise for accounting purposes. Broad commercial acceptance of the Company's products by customers and end users is critical to the Company's success and ability to generate revenues. The Company has limited sales to date, principally to affiliates of the Company, and has accumulated losses since inception of $8,088,866, of which $4,543,297 was incurred during the nine months ended September 30, 1998. The Company believes operating losses will continue for the foreseeable future.

As discussed at Liquidity and Capital Resources - Other, the Company is not currently in technical compliance with certain listing requirements of the NASDAQ Small Cap Market. In order to achieve compliance and maintain its listing on the SmallCap Market, the Company must increase its net tangible assets, either through the issuance of securities or otherwise, by approximately $5,000,000. On January 25, 1999 the Company received a notice of delisting from NASD. On February 1, 1999, the Company requested an oral hearing objecting to the proposed delisting and on February 25, 1999 the Company received notice that such hearing will be held on April 15, 1999. If the Company is not in compliance with the continued listing requirements applicable to the Nasdaq SmallCap Market by the date of the hearing, its shares will likely be delisted from the Nasdaq SmallCap Market. If the Company is delisted in addition to the consequences and associated risks previously described in the Company's quarterly and annual reports filed under the Securities Exchange Act of 1934, it could put the Company in default under the terms of the Company's $2,500,000 convertible debentures and could accelerate the repayment thereof. In addition, without considering the impact of a demand to repay the convertible debentures, the Company believes its existing cash will not be adequate to fund the expansion and distribution of its product offerings, and it anticipates it will need to raise additional funds to support operations.

Should demand be made for repayment of the convertible debentures, the Company does not have the necessary capital to repay the $2,500,000 convertible debentures. Should demand not be made, the Company's existing cash may only last until second quarter 1999 based on the Company's current cash burn rate. Based on current plans and excluding a demand for repayment of the convertible debentures, the Company estimates it needs approximately $3,000,000 to $5,000,000 to support operations through September 30, 1999.

Management is in discussions with a financial broker to raise additional capital to support its operations which may involve the issuance of additional debt or equity securities. If a demand for repayment of the convertible debentures is made with out sufficient cash on hand to support operations, management intends to discuss alternatives for repayment with the convertible debenture holders. No assurances can be given that the

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above or any other form of additional financing will be available on terms acceptable to the Company, that adequate financing will ultimately be obtained to meet its needs, or that such financing would not be dilutive to existing stockholders. Also, no assurances can be given that the convertible debenture holders would agree to any alternatives for repayment, if the Company is required to discuss alternatives for repayment.

If the Company does not obtain adequate financing with in the near term, the Company expects its accountants will include a going concern reference in their opinion on the December 31, 1998 financial statements.

OVERVIEW (CONTINUED)

During October 1996, the Company completed initial development of a product designed to provide for basic personal computer functions and Internet access via a wireless keyboard and a conventional television set (the "Set Top Box"). However, the Company did not believe that the promotion and marketing of the Set Top Box was within its focus and, accordingly, conveyed the technology in exchange for an initial 50% (35.8% as of December 31, 1997) ownership interest in Inter-Con/PC, Inc. ("Inter-Con"), a development stage Company. The Company had a technical support agreement with Inter-Con which provided for Inter-Con to pay technical support fees to the Company of up to $20,000 per month. Effective December 31, 1997, the technical support and development agreement between the Company and Inter-Con was terminated.

By current agreement, Jasper (a former stockholder) is obligated to pay a royalty to the Company for sales of certain products and the Company has the exclusive right to manufacture products sold by Jasper, subject to a predetermined pricing structure. However, the Company has been engaged an ongoing efforts redefine the parties obligations and is not relying on these potential sources of revenue from Jasper or its interest in Inter-Con to significantly impact its results of operations.

In April 1998 the Company received certification in the first round of biometric testing from the International Computer Security Association, a leading independent certification organization. Of the six participating vendors, SAC was the only vendor who participated and received certification in the identification ("one to many") category.

In June 1998, the Company integrated Pinnacle Technology's "Trusted Desktop Commander(TM)" security software with its SACcat biometric "identification" technology which includes workstation log-on and screen saver lockout to provide for convenient point and click configuration access and control of Windows 95 and 98, tied to a user's actual identity. The product is currently available for installation by MIS and system administrators. The Company is currently working on the development of a simplified end user point and click product. No assurances can be given that this will be developed timely or in a cost effective manner, or that it will be accepted in the marketplace.

OVERVIEW (CONTINUED)

The Company has integrated Key Ware Technologies "voice verification technology" with its SACMan Developer Toolkit. This product offers a fingerprint identification and voice verification solution to security needs. This product is not yet available in the Company's SACcat product line. No assurances can be given that the Company will be able to successfully introduce the Key Ware Technology into its SACcat product or that significant revenues will ever develop from products into which the Company incorporates the Key Ware Technology.

In June 1998, the Company completed its evaluation of Imedge Technology's holographic fingerprint imaging technology and currently intends to exercise an option to acquire the exclusive use of Imedge's holographic fingerprint technology, subject to negotiation of terms and the signing of a definitive agreement. The Company believes the benefits to be derived

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from this technology include a potential cost reduction from its current optics componentry and a significant reduction in the size of certain of its optics components. No assurances can be given that an agreement will be entered into on acceptable terms to the Company, or that such an agreement would not result in any significant dilution to stockholders or that the technology will achieve the Company's intended objectives.

During September 1998, the Company's two outside directors resigned. In November of 1998, the Company's two outside director positions were filled.

Also, during September 1998, the Company entered into a one year agreement with McCap, Inc. to help develop a strategic growth plan and to enhance shareholder value. As part of its compensation the Company granted the agency an option to purchase 375,000 shares of the Company's stock at $3.00 a share. The options are fully vested after three months. The Company will pay McCap, Inc. $10,000 a month for their services.

The Company does not anticipate adding any additional employees during 1998. The Company anticipates ongoing research and development expenses during 1998 at a level greater than that experienced for the year ended December 31, 1997. The Company anticipates accounts receivable and inventory levels, and selling, general and administrative expenses will increase significantly in connection with its continuing transition to marketing and selling its products.

RESULTS OF OPERATIONS

THREE AND NINE MONTHS ENDED SEPTEMBER 30, 1997 AS COMPARED TO SEPTEMBER 30, 1998:

Revenues

Total revenues decreased $89,515 during the three months ended September 30, 1998 to $63,170 as compared to $152,685 for the same period in 1997. Total revenue increased $12,927 during the nine months ended September 30, 1998 to $362,712 as compared to $349,785 for the same period in 1997.

Revenues from product sales decreased $10,838 during the three months ended September 30, 1998 to $63,170 as compared to $74,008 for the same period in 1997. Revenue from product sales increased $226,444 during the nine months ended September 30, 1998 to $344,762 as compared to $118,318 for the same period in 1997; these revenues were primarily from sales to ATM, a related party and a distributor of the Company (see below), and, to a lesser extent, include sales of SACMan Developer Tool Kit Systems to entities developing or investigating the development of applications which may utilize the Company's products.

RESULTS OF OPERATIONS (CONTINUED)

Revenues - Continued

Revenues from reimbursed research and development decreased $25,800 to $10,200 during the nine months ended September 30, 1998. These revenues related to collection of previously unrecognized research and development billings to Jasper, which are being recognized on the cash basis of accounting. No assurances can be given that any additional amounts will be collected in the future.

Revenues from technical support and other services, which were primarily from Jasper and Inter-Con, decreased $78,677 to $0 for the three months ended September 30, 1998 and decreased $187,717 to $7,750 for the nine months ended September 30, 1998. As previously discussed, the technical support agreement with Inter-Con was mutually terminated effective December 31, 1997. No assurance can be given that any additional technical support or other revenues will be realized from Jasper in the future, nor is this a primary focus of the Company.

Effective April 13, 1998, the Company signed a Distribution Agreement with Aultimate Technology Marketing (ATM). Terms of the agreement include the following: ATM was to purchase 1,000 SACcat units or SACMan Developer Tool Kits or a mixture thereof, of which 760 units had been purchased and paid for as of September 30, 1998; ATM was to receive preferential pricing on additional product purchases; ATM became a distributor of the Company's products; ATM issued the Company an option to acquire up to 400,000 shares of its common stock at $.25 per share, exercisable for seven years; and

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the Company granted ATM an option to purchase 100,000 shares of its common stock (see note 7 to the interim financial statements). Due to the interrelationships of the parties involved, revenues from this transaction will only be recognized by the Company when ATM resells or otherwise uses the product and can recognize revenue pursuant to generally accepted accounting principles. As of September 30, 1998, there was $27,222 of deferred revenue related to sales made to ATM. Sales made to ATM are covered under the Company's standard return policy.

Costs and Other Expenses

Cost of product sales exceeded revenues from product sales by $331,489 during the three months ended September 30, 1998, and $610,410 for the nine month period ended September 30, 1998 as compared to $22,972 for the nine-month period ended September 30, 1997. This principally was due to the $300,000 and $500,000 (cumulative) write down of inventory to its net realizable value during the three and nine months ended September 30, 1998, respectively. The write downs resulted from a process, over time, of the Company evaluating current sales of the Company's products and competitive pricing. The remaining variances were primarily from costs associated with the production of a limited amount of units.

The principal supplier of the Company's optical components to date has been Industrial Research and Development, Inc. ("IR&D"), a company formerly owned by Rick Fiskum, an officer and director of the Company. Mr. Fiskum retained a directorship with IR&D through August 12, 1998 at which time he resigned. Mr. Fiskum retains a consulting relationship with IR&D and as a result of this and the previous buyout of his ownership interest in IR&D, will continue to receive ongoing payments from IR&D.

Costs and Other Expenses - Continued

As discussed above, in an effort to reduce its product costs, the Company is considering to exercise an option to purchase certain imaging technology to replace some of its current optics componentry. Additionally, the Company intends to explore offshore manufacturing opportunities and is trying to redefine its relationship with Jasper. No assurances may be given that the above objectives will be achieved or that it would result in a reduction of product costs that will lead to the Company becoming profitable.

Selling, general and administrative expenses decreased $80,227 to $608,884 during the three months ended September 30, 1998 and increased $898,571 to $2,489,590 for the nine month period ended September 30, 1998, as compared to the three and nine month period ended September 30, 1997. Of the increase for the three and nine months ended September 30, 1998, $10,865 and $128,756 related to additional salaries and wages for sales and administrative personnel, $133,685 and $155,643 was related to professional fees, and $37,500 and $522,150 was principally due to non-cash charges related to the approximate value of a warrant granted to ATM as part of a sales distribution arrangement (see above), a warrant granted to TCI in order to terminate its right of first refusal of future public offerings (see note 6 to the interim financial statements) and a non-cash charge related to the approximate fair market value of a option granted to McCap, Inc. to help develop a strategic growth plan and to enhance shareholder value, $7,413 and $44,005 was due to completion of the installation of the Company's internal computer network, $30,391 and $48,511 related to promotional equipment given to potential customers for marketing purposes. The above were offset by a decrease of $250,000 and $334,456, respectively for costs associated with employee recruiting and moving, and a one time charge for the severance package for the COO who was terminated in October, 1997. Also, $172,000 reduction of expense was recorded in the three month period ended September 30, 1998. This was due to the Company lowering the estimated fair market value of one of the warrants it issued during the second quarter ended June 30, 1998. See footnote 7 for more information.

Research and development expenses increased $209,671 to $329,666 during the three months ended September 30, 1998 and increased $979,623 to $1,324,285 for the nine months ended September 30, 1998 as compared to the three and nine months ended September 30, 1997. Of the increase for the three and nine months ended September 30, 1998, $130,000 and $490,750 was

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related to licensing and integration costs associated with technologies the Company plans to incorporate into its SACcat product, and $0 and $200,000 respectively was related to a non-cash charge for the estimated fair market value of an option granted to an entity with which the Company entered into a license agreement. The above costs were expensed because the realizability of cash flows from the licenses was no longer being projected. The remaining increase is attributable to increased development activity for the Company to commercialize and evolve certain of its products.

Interest expense increased $216,800 to $216,800 during the three months ended September 30, 1998 and increased $212,903 to $216,800 for the nine months ended September 30, 1998 as compared to the three and nine months ended September 30, 1997, the increase is due to the recent issuance of the convertible debenture. The Company expects interest expense will increase in the future in connection with the convertible debentures financing.

LIQUIDITY AND CAPITAL RESOURCES

Since January 7, 1993 (date of inception), the Company's capital needs have been principally met as follows: (i) by a February 1997 initial public offering of 2,420,000 shares of common stock at $3.00 per share which resulted in net proceeds of $6,220,331, after deduction of offering expenses; (ii) a July 1996 $700,000 private placement of common stock; (iii) a May 1996 sale of $200,000 of convertible bridge notes (converted to common stock in 1996) and warrants to purchase 50,000 shares of common stock; and (iv) a $2,500,000 1998 private offering of convertible debentures (see note 6 to the interim financial statements for the terms of the debentures).

Net cash used in operating activities during the nine months ended September 30, 1998 was $3,721,001 and was principally due to operating losses. Net cash used for investing activities during the same period was $27,785. Net cash provided by financing activities during the same period was $2,433,271 and was principally from cash received from the issuance of the convertible debenture.

See "Overview" above regarding a discussion of the Company's capital needs.

Working capital decreased $3,048,293 during the nine months ended September 30, 1998 to $411,906 as compared to $3,460,199 as of December 31, 1997. This decrease is principally due to cash used in operating activities. Additionally, during the nine months ended September 30, 1998, there was a $448,108 increase in inventories which was attributable to purchasing component parts for its products for future production.

See notes 6 and 7 to the interim financial statements for information regarding stock option and warrant transactions.

OTHER

As of September 30, 1998, the Company was not in technical compliance with certain provisions of the NASDAQ Small Cap Market, listing maintenance requirements, namely minimum capitalization or net worth provisions, and maintenance of two independent directors. The Company has since recruited and named two independent directors. In order to achieve compliance and maintain its listing on the SmallCap Market, the Company must increase its net tangible assets, either through the issuance of securities or otherwise, by approximately $5,000,000. On January 25, 1999 the Company received a notice of delisting from NASD. On February 1, 1999, the Company requested an oral hearing objecting to the proposed delisting and on February 25, 1999 the Company received notice that such hearing will be held on April 15, 1999. If the Company is not in compliance with the continued listing requirements applicable to the Nasdaq SmallCap Market by the date of the hearing, its shares will likely be delisted from the Nasdaq SmallCap Market. There can be no assurance, however, that meeting applicable maintenance standards will insure the Company's continued listing on the Nasdaq SmallCap Market (see "Overview" for discussion of liquidity).

In the event of a delisting of the Company's Common Stock, the Company would be in default under the outstanding convertible debenture resulting in the acceleration of the Company's obligation to repay the principal and all accrued interest due thereunder and an increase of the applicable interest rate from 5% to 9%. In addition, the public trading market for the Common Stock would be adversely affected and the Common Stock will likely

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be quoted on the Nasdaq OTC Bulletin Board which provides for limited liquidity. In addition, in event the Company's Common Stock trades below $5.00, it will be subject to SEC Rules and Regulations which impose limitiations upon the manner in which certain low priced securities (referred to as a "penny stock") are publicly traded. Under these regulations a penny stock is defined as any equity security having a market price of less than $5.00 per share, subject to certain exceptions. Such exceptions include any equity security listed on the Nasdaq National Market or SmallCap Market and any equity security issued by an issuer that has (i) net tangible assets of at least $2,000,000, if such issuer has been in continuous operation for three years, (ii) net tangible assets of at least $5,000,000, if such issuer has been in continuous operation for less than three years, or (iii) average annual revenue of at least $6,000,000 if such issuer has been in continuous operation for less than three years. Unless an exception is available, the regulations require the delivery, prior to any transaction involving a penny stock, of a disclosure schedule explaining the penny stock market and the risks associated therewith. Also, under these regulations, certain broker/dealers who recommend such securities to persons other than established customers and certain accredited investors must make a special written suitability determination for the purchaser and receive the purchaser's written agreement to a transaction prior to sale.

NEW ACCOUNTING PRONOUNCEMENTS

In June 1997, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards (SFAS) No. 130, "Reporting Comprehensive Income," applicable to entities with other comprehensive income. This pronouncement is effective for the year beginning January 1, 1998. The Company had no items of other comprehensive income, as defined, for the three and nine months ended September 30, 1998 and 1997.

In June 1997, the financial Accounting Standards Board issued SFAS No. 131, "Disclosures about Segments of an Enterprise and Related Information," which requires that the Company report certain information about operating segments. This pronouncement is effective for the year beginning January 1, 1998. The Company currently operates in one reportable segment.

YEAR 2000

The Company is currently working to minimize the potential impact of the year 2000 on the processing of date-sensitive information by the Company's computerized information systems. The year 2000 problem is the result of computer programs being written using two digits (rather than four) to define the applicable year, which could result in miscalculation or system failures. All of the Company's products are believed to be Year 2000 compliant. Any software used by the Company for internal operations that is not Year 2000 compliant is expected to be exchanged for Year 2000 compliant software prior to the occurrence of any internal problems. Based on preliminary information, costs of addressing potential problems are currently not expected to have a material adverse impact on the Company's financial position, results of operations or cash flows in future periods. However, if the Company, its customers, strategic partners or vendors are unable to resolve any processing issues in a timely manner, it could result in material financial risk to the Company. Accordingly, the Company plans to devote the necessary resources to resolve all potential significant year 2000 issues in a timely manner. Specifically, the Company has also contacted its customers, strategic partners and suppliers to identify any Year 2000 problems which might impact the Company. The Company has only received a response from three of its strategic partners, all of which stated that they believed that their products are Year 2000 compliant.

PART II - OTHER INFORMATION

Item 1. Legal Proceedings

On or about August 11, 1998 a lawsuit was filed in Hennepin County District Court against the Company. Plaintiffs Johnson and Norenberg have alleged that they were wrongfully terminated or constructively discharged from their employment with the Company. Their complaint seeks relief in an amount in excess of $50,000 for each of the respective plaintiffs. The company adamantly denies the validity of plaintiff's claims or the extent of plaintiff's damages. It is the Company's intention to proceed with further discovery and move towards a motion to dismiss plaintiff's claims.

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Item 2. Changes in Securities and Use of Proceeds

Use of Proceeds from Registered Securities

1. The effective date of the registration statement for which this information is reported was February 14, 1997.

2. The following is a reasonable estimate of, the amount of net offering proceeds to the issuer used for each of the purposes listed below. An "X" has been placed in the box to the left of any amount that is an estimate.

<TABLE>
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	DIRECT OR INDIRECT PAYMENT OF DIRECTORS, OFFICERS GENERAL PARTNERS OF THE ISSUER OR THEIR ASSOCIATES; TO PERSONS OWNING TEN PERCENT OR MORE OF ANY CLASS OF EQUITY SECURITIES OF THE ISSUER, AND TO AFFILIATES OF THE ISSUER	DIRECT OR INDIRECT PAYMENTS TO OTHERS
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(01) Construction of Plant, Building and Facilities	$ --	$ --
(02) Purchase and Installation of Machinery and Equipment	--	187,553
(03) Purchase of Real Estate	--	--
(04) Acquisition of Other Business(s)	--	--
(05) Repayment of Indebtedness	117,020	325,000
(06) Working Capital	--	--
Other purposes (specify)		
	Officer Salaries	
(07) X Professional Fees	--	318,422
(08) X Administrative Salaries and Expenses	--	1,575,610
(09) X Inventory and Components	--	1,000,219
(10) X Research and Development	402,081	393,619
(11) X Product Marketing	--	632,152
(12) X Sales Promotion	--	260,519
(13) X Acquired Technology	--	388,517
(14) X Feasibility Test	--	154,750
(15) X Contract Assembly	--	97,997

</TABLE>

Item 3. Defaults Upon Senior Securities

None.

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

None.

Item 5. Other Events

None.

Item 6. Exhibits and Reports on Form 8-K

(a) Exhibits

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(i) Those exhibits required to be furnished in response to this item, other than parts of Exhibit 10 and all of Exhibit 27, were furnished in connection with the Company's:

(A) Registration Statement on Form SB-2, File No. 33-16451 as filed with the Securities Exchange Commission on November 20, 1996, and as amended by Amendment No. 1 thereto filed on January 10, 1997, Amendment No. 2 thereto filed February 7, 1997 and Amendment No. 3 thereto filed February 14, 1997 and as supplemented by supplement dated April 9, 1997, all of which are incorporated herein by reference.

(B) The Company's annual report on Form 10-KSB for the years ended December 31, 1996 and 1997 as filed on March 31, 1997 and 1998, and

(C) The Company's quarterly report on Form 10-QSB for the quarters ended June 30, 1997 through June 30, 1998.

(ii) Exhibit 10 - Material Contracts

None.

(iii) Exhibit 27 - Financial Data Schedule

(b) Reports on Form 8-K

The Company's current report on Form 8-K filed on July 7, 1998.

SIGNATURES

In accordance with the requirements of the Securities Exchange Act of 1934, as amended, the Registrant caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

SAC Technologies, Inc.
(the "Registrant")

Date: November 16, 1998

/s/ Barry Wendt

Barry Wendt, Chief Executive Officer

/s/ Gary Wendt

Gary Wendt, Chief Financial Officer

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