SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF
THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended March 31, 2000

Commission file number 1-13293

SunSource Inc.
(Exact name of registrant as specified in its charter)

Delaware	23-2874736
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
3000 One Logan Square Philadelphia, Pennsylvania	19103
(Address of principal executive offices)	(Zip Code)

Registrant's telephone number, including area code: (215) 282-1290

Securities registered pursuant to Section 12(b) of the Act:

Title of Class	Name of Each Exchange on Which Registered
Common Stock, par value $.01 per share	New York Stock Exchange
Preferred Share Purchase Rights	New York Stock Exchange

Securities registered pursuant to Section 12(g) of the Act: None

Indicate by check mark whether the registrant (1) has 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 X NO

On May 15, 2000 there were 6,854,634 Common Shares outstanding.

SUNSOURCE INC.

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<TABLE>
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SUNSOURCE INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
(dollars in thousands)

<TABLE>
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ASSETS	March 31, 2000 (Unaudited)	December 31, 1999	March 31, 1999 (Unaudited)
<S>	<C>	<C>	<C>
Current assets:			
Cash and cash equivalents	$ 1,642	$ 5,186	$ 1,838
Accounts receivable, net	55,856	65,141	87,620
Inventories	72,725	92,691	109,293
Deferred income taxes	9,133	10,218	10,055
Net assets held for sale	32,500	35,249	54,210
Income taxes receivable	8,686	8,561	-
Other current assets	4,642	5,226	5,252
Total current assets	185,184	222,272	268,268
Property and equipment, net	11,366	17,282	22,273
Goodwill and other intangibles	31,717	52,404	54,536
Deferred financing fees	3,317	3,493	452
Deferred income taxes	4,432	5,865	5,121
Cash surrender value of life insurance policies	14,842	14,190	12,064
Other assets	8,306	7,511	649
Total assets	$259,164	$323,017	$363,363

LIABILITIES AND STOCKHOLDERS' EQUITY (DEFICIT)			
Current liabilities:			
Accounts payable	$ 44,207	$ 44,358	$ 54,168
Notes payable	253	376	534
Current portion of capitalized lease obligations	919	923	276
Dividends / distributions payable	-	1,019	674
Deferred income tax liability	929	929	929
Current portion of long term debt	5,000	3,750	-
Accrued expenses:			
Salaries and wages	1,904	5,343	3,977
Income and other taxes	2,031	3,299	3,715
Accrued liabilities on discontinued operation	3,203	2,703	-
Other accrued expenses	17,302	23,961	18,392
Total current liabilities	75,748	86,661	82,665
Long term debt	16,500	17,750	60,000
Bank revolving credit	7,065	102,791	71,580
Capitalized lease obligations	1,259	1,509	517
Deferred compensation	14,796	14,173	12,229
Other liabilities	194	2,148	250
Total liabilities	115,562	225,032	227,241
Guaranteed preferred beneficial interests in the Company's junior subordinated debentures	115,112	115,200	115,463
Commitments and contingencies			
Stockholders' equity (deficit):			
Preferred stock, $.01 par, 1,000,000 shares authorized, none issued	-	-	-
Common stock, $.01 par, 20,000,000 shares authorized, 7,333,734 issued and 6,854,634 outstanding at March 31, 2000, 7,228,556 issued and 6,749,456 outstanding at December 31, 1999 and 7,219,308 issued and 6,740,208 outstanding at March 31, 1999	73	72	72
Additional paid-in capital	21,813	21,342	21,137
Retained earnings (accumulated deficit)	19,227	(25,297)	12,979
Unearned compensation	(647)	(283)	(215)
Accumulated other comprehensive income	(3,271)	(4,344)	(4,609)
Treasury stock, at cost, 479,100 shares	(8,705)	(8,705)	(8,705)
Total stockholders' equity (deficit)	28,490	(17,215)	20,659

Total liabilities and stockholders' equity (deficit)	$259,164	$323,017	$363,363

</TABLE>

SEE ACCOMPANYING NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

SUNSOURCE INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF INCOME (Unaudited)
FOR THE THREE MONTHS ENDED,
(dollars in thousands, except for share amounts)

<TABLE>
<CAPTION>

<S>	March 31, 2000 <C>	March 31, 1999 <C>
Net sales	$122,629	$144,850
Cost of sales	72,847	83,293
Gross profit	49,782	61,557
Operating expenses:		
Selling, general and administrative expenses	45,624	52,955
Depreciation	1,024	1,220
Amortization	407	455
Total operating expenses	47,055	54,630
Other income	91	179
Income from operations	2,818	7,106
Interest expense, net	2,406	2,041
Distributions on guaranteed preferred beneficial interests	3,058	3,058
Gain on contribution of subsidiaries (Note 2)	49,115	-
Equity in earnings of affiliate (Note 2)	449	-
Income before provision for income taxes	46,918	2,007
Provision for income taxes	5,230	834
Income before discontinued operations	41,688	1,173
Discontinued operations (Note 1)		
Loss from operations of discontinued Harding segment of $446, net of income tax benefit of $178		(268)
Estimated loss on disposal of discontinued Harding segment of $3,372, net of income tax benefit of $6,208	2,836	-
Income(loss) from discontinued operations	2,836	(268)
Net income	$ 44,524	$ 905
Basic and diluted income per common share:		
Income before discontinued operations	$ 6.11	$ 0.17
Loss from operations of discontinued Harding segment, net of income tax benefit	-	(0.04)
Estimated loss on disposal of discontinued Harding segment, net of income tax benefit	0.41	-
Net income	$ 6.52	$ 0.13
Weighted average number of outstanding common shares	6,827,161	6,752,737

</TABLE>

SEE ACCOMPANYING NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

SUNSOURCE INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS (Unaudited)
FOR THE THREE MONTHS ENDED,
(dollars in thousands)

<TABLE>
<CAPTION>

<S>	March 31, 2000 <C>	March 31, 1999 <C>
Cash flows from operating activities:		
Net income	$ 44,524	$ 905
Adjustments to reconcile net income to net cash used for operating activities:		
Depreciation and amortization	1,431	1,675
Loss from discontinued Harding segment before taxes	3,372	446
Gain on contribution of subsidiaries	(49,115)	-
Equity in earnings of affiliate	(449)	-
Deferred income tax benefit	-	(1,852)
Changes in current operating items:		
Increase in accounts receivable	(8,962)	(10,381)
Decrease (increase) in inventories	887	(7,103)
Decrease in income taxes receivable	511	-
Increase in other current assets	(169)	(551)
Increase in accounts payable	4,935	2,197
Decrease in other accrued liabilities	(6,216)	(5,567)
Other items, net	(921)	(149)
Net cash used for operating activities	(10,172)	(20,380)
Cash flows from investing activities:		
Proceeds from contribution of subsidiaries	105,000	-
Costs associated with contribution of subsidiaries	(655)	-
Proceeds from sale of property and equipment	126	161
Increase in net assets held for sale	(123)	(12,656)
Capital expenditures	(591)	(1,910)
Investment in life insurance policies	-	(1,300)
Other, net	(1,026)	(18)
Net cash provided by (used for) investing activities	102,731	(15,723)
Cash flows from financing activities:		
Borrowings (repayments) under bank credit agreements, net	(95,726)	36,580
Repayments under other credit facilities, net	(123)	(262)
Principal payments under capitalized lease obligations	(254)	(49)
Purchase of treasury stock at cost	-	(325)
Dividends / distributions to investors	-	(676)
Net cash (used for) provided by financing activities	(96,103)	35,268
Net decrease in cash and cash equivalents	(3,544)	(835)
Cash and cash equivalents at beginning of period	5,186	2,673
Cash and cash equivalents at end of period	$ 1,642	$ 1,838

</TABLE>

SEE ACCOMPANYING NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

SUNSOURCE INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF CHANGES IN STOCKHOLDERS'
EQUITY FOR THE THREE MONTHS ENDED MARCH 31, 2000 (Unaudited)

(dollars in thousands)

<TABLE>
<CAPTION>

	Common Stock	Additional Paid-in Capital	Retained Earnings/ (Accumulated Deficit)	Unearned Compensation	Accumulated Other Comprehensive Income (1)	Treasury Stock	Total Stockholders' (Deficit) Equity
Beginning Balance - December 31, 1999	$ 72	$ 21,342	$ (25,297)	$ (283)	$ (4,344)	$ (8,705)	$ (17,215)
Net income			44,524				44,524
Change in cumulative foreign translation adjustment					(422)		(422)
Comprehensive income							26,887
Issuance of 5,178 shares of common stock to certain non-employee directors		22					22
Grant of restricted stock	1	449		(450)			-
Amortization of stock option discount				19			19
Amortization of vested portion of restricted stock				67			67
Contribution of subsidiaries					1,495		1,495
Ending Balance - March 31, 2000	$ 73	$ 21,813	$ 19,227	$ (647)	$ (3,271)	$ (8,705)	$ 28,490

</TABLE>

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(1) Cumulative foreign translation adjustment represents the only item of other comprehensive income.

SEE ACCOMPANYING NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

SUNSOURCE INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(dollars in thousands)

1. Basis of Presentation:

The accompanying financial statements include the consolidated accounts of SunSource Inc. (the "Company") and its wholly-owned subsidiaries including SunSource Technology Services Company, Inc. ("STS"), The Hillman Group, Inc. ("Hillman"), Harding Glass, Inc. ("Harding") and SunSource Capital Trust (the "Trust"). All significant intercompany balances and transactions have been eliminated. The Company is one of the leading providers of value-added services and products to retail and industrial markets in North America.

The accompanying consolidated financial statements and related notes are unaudited; however, in management's opinion all adjustments (consisting of normal recurring accruals) considered necessary for the fair presentation of financial position, income and cash flows for the periods shown have been reflected. Results for the interim period are not necessarily indicative of those to be expected for the full year.

Certain information in note disclosures normally included in financial statements prepared in accordance with generally accepted accounting principles has been condensed or omitted pursuant to Form 10-Q requirements although the Company believes that disclosures are adequate to make the information presented not misleading. It is suggested that these financial statements be read in conjunction with the consolidated financial statements and notes thereto included in the Company's report on Form 10-K for the year ended December 31, 1999.

Discontinued Operations:

In December 1999, the Company's Board of Directors approved management's plan to dispose of the Company's Harding business. Accordingly, Harding has been accounted for as a discontinued operation and its results of operations were segregated from results of the Company's ongoing businesses including restatement of the prior periods presented. On April 13, 2000, the Company consummated the sale of Harding on which it had signed a letter of intent in January 2000. See Note 7, Subsequent Events.

For the year ended December 31, 1999, the Company recorded an after-tax loss of $2,188 from Harding's operations and an estimated loss on its expected disposal of $23,834 unadjusted for any potential future tax benefits. For the three months ended March 31, 2000, the Company recorded a loss from operations of $699 and an additional loss on disposal of the discontinued Harding segment of $2,673, net of an income tax benefit of $6,208. Through March 31, 2000, the Company has recorded an estimated loss on disposal of the discontinued Harding Segment of $20,998 in the aggregate, net of tax benefits.

1. Basis of Presentation (continued):

Following is summary financial information for the Company's discontinued Harding operations, which represented the Glass Merchandising segment:

<TABLE>
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	Three Months Ended 3/31/00	Year Ended 12/31/99	Three Months Ended 3/31/99
<S>	<C>	<C>	<C>
Net Sales	$ 25,625	$ 118,282	$ 28,261
Income (loss) from discontinued operations:			
Before income taxes	$ --	$ (3,268)	$ (446)
Income tax provision (benefit)	--	(1,080)	(178)
Net	--	(2,188)	(268)
Estimated loss on disposal	(3,372)	(23,834)	--
Income tax benefit on disposal	6,208	--	--
Total income (loss) from discontinued operations	$ 2,836	$ (26,022)	$ (268)

</TABLE>

As of March 31, 2000, net assets held for sale of the discontinued Harding operation were $32,500 consisting of receivables, inventories, prepaid assets, property and equipment and intangible assets, less an allowance for the estimated loss on disposal and current liabilities.

2. Contribution of Subsidiaries:

On March 2, 2000, the Company contributed the interests in its Kar Products, Inc. and A & H Bolt & Nut Company Limited operations (collectively, the "Kar" business) to a newly-formed partnership affiliated with Glencoe Capital, L.L.C. ("Glencoe"). Glencoe contributed cash equity to the new partnership, G-C Sun Holdings L.P. ("G- C"). The Company received $105,000 in cash proceeds from the transaction through repayment of assumed debt by G-C. Affiliates of Glencoe hold a 51% controlling interest with the remaining 49% interest held by SunSource. The Company accounts for its investment in the partnership under the equity method and recorded a pre-tax gain on the transaction of approximately $49,115 in the first quarter of 2000. Sales from Kar aggregated $22,122 from January 1, 2000 to March 2, 2000, and $124,724 for the year ended December 31, 1999.

3. Lines of Credit and Long-Term Debt:

On December 15, 1999, the Company refinanced its $60,000 senior notes and $90,000 bank revolving credit with $155,000 in senior credit facilities (the "Credit Agreement") consisting of $130,000 in revolving bank credit (the "Revolver") and a $25,000 term loan (the "Term Loan"). The Credit Agreement has a five-year term whose revolver availability is based on the Company's receivables and inventory balances (the "Borrowing Base") evaluated on a monthly basis. On April 7, 2000, the Company amended the Credit Agreement to reduce the Revolver to $115,000.

As of March 31, 2000, the Company's Borrowing Base was $94,167 consisting of receivables and inventory balances totaling $99,372 less letter of credit commitments outstanding of $5,205. As of March 31, 2000, the Company had $86,945 available under the Revolver. The Company had $30,743 of outstanding debt at March 31, 2000, consisting of bank revolver borrowings of $7,065, outstanding Term Loan of $21,500 and capital lease obligations of $2,178. The Company and its domestic and foreign corporate subsidiaries are borrowers and guarantors ("Credit Parties") under the Credit Agreement. Each credit party assigned, pledged and granted a security interest in and to all its assets as collateral.

3. Lines of Credit and Long-Term Debt (continued):

Accounts payable has been increased to include a reclassification of $7,225 representing checks issued as of March 31, 2000, for which funds would have been drawn against the Company's revolving credit facility if they had been presented on that date.

4. Contingencies:

On February 27, 1996, a lawsuit was filed against the Company by the buyer of its Dorman Products division for alleged misrepresentation of certain facts by the Company upon which the buyer allegedly based its offer to purchase Dorman. The complaint seeks damages of approximately $21,000.

Certain other legal proceedings are pending which are either in the ordinary course of business or incidental to the Company's business. Those legal proceedings incidental to the business of the Company are generally not covered by insurance or other indemnity.

In the opinion of management, the ultimate resolution of the pending litigation matters will not have a material effect on the consolidated financial position, operations or cash flows of the Company.

5. Stockholders' Equity:

Earnings per Share

The Company accounts for earnings per share in accordance with Statement of Financial Accounting Standards No. 128 ("SFAS 128"), "Earnings per Share". SFAS 128 requires the presentation of basic and diluted earnings per share for companies with complex capital structures. Under the Company's Equity Compensation Plan, 669,495 options to purchase shares of the Company's common stock having a potentially dilutive effect on earnings per share remain outstading to certain executives and key employees. Currently, due to market conditions, the shares granted under the plan do not have a material dilutive effect on earnings per share for the three months ended March 31, 2000.

Common Shares Issued to Certain Non-Employee Directors

Under the Company's Stock Compensation Plan for Non-Employee Directors, certain non-employee directors were issued 5,178 Common Shares in the first three months of 2000, which results in a compensation charge of $22.

Stock Options

On April 27, 1999, a grant of 150,000 non-qualified stock options was made to attract and retain a new Chief Executive Officer, (the "CEO Grant"). On January 26, 2000, the Compensation Committee of the Board of Directors amended the New CEO Grant by reducing the number of shares from 150,000 to 50,000 and issued a grant of 100,000 shares of restricted stock. One-third of the restricted shares will vest six months from the date of grant. Vesting of the remaining two-thirds of the restricted shares will be based on achievement of certain performance goals. In the event that all or some of the performance goals are not achieved within a three-year period from the date of grant, the then remaining shares will vest on the third anniversary from their date of grant.

SUNSOURCE INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, continued
(dollars in thousands)

5. Stockholders' Equity (continued):

Common Stock Dividend

On June 30, 1999, the Board of Directors of the Company suspended indefinitely the quarterly cash dividend of $.10 per common share.

6. Segment Information:

The following supplemental table of segment tangible assets for ongoing operations is presented due to the increase in segment tangible assets during the three months ended March 31, 2000, which represents primarily additional investments in accounts receivable:

<TABLE>
<CAPTION>

	3/31/00	12/31/99	$ INC(DEC)	% INC(DEC)
<S>	<C>	<C>	<C>	<C>
Technology Services	$ 83,097	$ 81,812	$ 1,285	1.6 %
Integrated Supply	5,518	5,763	(245)	(4.3)%
Hillman	59,036	56,963	2,073	3.6 %
Total	$ 147,651	$ 144,538	$ 3,113	2.2 %

</TABLE>

7. Subsequent Events:

On April 7, 2000, the Company acquired Axxess Technologies, Inc. ("Axxess") of Tempe, Arizona through a stock merger transaction. Axxess is a manufacturer of key duplication and identification systems. The transaction was structured as a purchase of 100% of the stock of the privately held company and repayment of outstanding Axxess debt in exchange for $87,000 in cash and $23,000 in subordinated notes. In connection with the sale of Harding on April 13, 2000, the Company repaid $9,600 of these subordinated notes leaving a balance of $13,400 comprised as follows: 1) a $2,400 15% note due April 7, 2001 and 2) an $11,000 note which is payable in seven equal quarterly installments commencing the earlier of i) the first calendar quarter after payment in full of the Term Loan extended by the Company's senior lenders or ii) March 31, 2004. Interest on the $11,000 subordinated note ranges from prime plus 1% to prime plus 5% with a maximum rate at any time of 15%. Sales from Axxess aggregated $20,012 for the three months ended March 31, 2000, and $82,132 for the year ended December 31, 1999.

On April 13, 2000, the Company sold substantially all of the assets of Harding for a cash purchase price of $31,446 plus the assumption by the buyer of certain liabilities aggregating $11,560, subject to certain post-closing adjustments.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION
AND RESULTS OF OPERATIONS

The following discussion provides information which management believes is relevant to an assessment and understanding of the Company's operations and financial condition. This discussion should be read in conjunction with the consolidated financial statements and notes thereto appearing elsewhere herein.

General

SunSource Inc. (the "Company" or "SunSource") is one of the largest providers of value-added services and products to retail and industrial markets in North America. The Company is organized into three business segments which are SunSource Technology Services Company, Inc. ("Technology Services" or "STS"), The Hillman Group, Inc.("Hillman"), and Integrated Supply, operating as SunSource Integrated Services de Mexico, S.A. DE C.V. Also, the Company has an investment in an affiliate, G-C Sun Holdings, L.P., operating as Kar Products.

Technology Services offers a full range of technology-based products and services to small, medium and large manufacturers. The Hillman Group provides small hardware and related items and merchandising services to retail outlets, primarily hardware stores, home centers and lumberyards. Integrated Supply provides major industrial manufacturing customers with comprehensive inventory management services for their maintenance, repair and operating supplies ("MRO"). Kar Products offers personalized inventory management systems of MRO products to industrial manufacturing customers and maintenance and repair facilities.

Acquisitions/Divestitures

On March 2, 2000, the Company contributed the interests in its Kar Products, Inc. and A & H Bolt & Nut Company Limited operations (collectively, the "Kar" business) to a newly-formed partnership affiliated with Glencoe Capital, L.L.C. ("Glencoe"). Glencoe contributed cash equity to the new partnership, G-C Sun Holdings L.P. ("G- C"). The Company received $105 million in cash proceeds from the transaction through repayment of assumed debt by G-C. Affiliates of Glencoe hold a 51% controlling interest with the remaining 49% interest held by SunSource. The Company accounts for its investment in the partnership under the equity method and recorded a pre-tax gain on the transaction of approximately $49.1 million in the first quarter of 2000.

On April 7, 2000, the Company acquired Axxess Technologies, Inc. ("Axxess") of Tempe, Arizona through a stock merger transaction. Axxess is a manufacturer of key duplication and identification systems. The transaction was structured as a purchase of 100% of the stock of the privately held company and repayment of outstanding Axxess debt in exchange for $87 million in cash and $23 million in subordinated notes. Axxess' sales aggregated $20.0 million for the three months ended March 31, 2000, and $82.1 million for the year ended December 31, 1999.

On April 13, 2000, the Company completed the sale of its Harding Glass, Inc. ("Harding") subsidiary to VVP America which was previously announced in January 2000 with the signing of a letter of intent. The Company sold substantially all of the assets of Harding for a cash purchase price of $31.4 million plus the assumption by the buyer of certain liabilities aggregating $11.6 million, subject to certain post-closing adjustments. Proceeds from the sale of Harding were used to repay the Company's outstanding debt. Harding sales aggregated $25.6 million for the three months ended March 31, 2000, and $118.3 million for the year ended December 31, 1999.

In December 1999, the Board of Directors approved a plan to dispose of the Company's Harding business. Since December 1999, Harding has been accounted for as a discontinued operation and, accordingly, its results of operations were segregated from results of the Company's ongoing businesses including restatement of prior periods presented.

In 1999, the Company recorded a loss of $2.2 million after-tax from Harding's operations and an estimated loss on its expected disposal of $23.8 million or $3.53 per common share unadjusted for any potential future tax benefits. For the three months ended March 31, 2000, the Company recorded a loss from operations of $0.7 million and an additional loss on disposal of the discontinued Harding Segment of $2.7 million, net of an income tax benefit of $6.2 million, resulting in income from discontinued operations of $2.8 million or $.41 per common share. Through March 31, 2000, the Company has recorded an estimated loss on the discontinued Harding segment of $21 million in the aggregate or $3.53 per common share, net of tax benefits.

Results of Operations

<TABLE>
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Segment Sales and Profitability from Ongoing Operations for the Three Months Ended March 31, 2000 & 1999

(dollars in thousands)

	FOR THE THREE MONTHS ENDED,				
	March 31, 2000		March 31, 1999		
	AMOUNT	% OF TOTAL	AMOUNT	% OF TOTAL	% INC (DEC)
<S>	<C>	<C>	<C>	<C>	<C>
Sales					
Technology Services (1)	$ 59,647	48.6%	$ 68,999	47.6%	(13.6%)
Hillman Group	35,585	29.0%	35,919	24.8%	(0.9%)
Integrated Supply - Mexico	4,227	3.4%	2,773	1.9%	52.4%
Consolidated net sales - ongoing operations	99,459	81.1%	107,691	74.3%	(7.6%)
Contributed Expediter segment (2)	22,122	18.0%	31,233	21.6%	(29.2%)
Integrated Supply - sold business and terminated contracts (3)	1,048	0.9%	5,926	4.1%	(82.3%)
Consolidated net sales	$122,629	100.0%	$ 144,850	100.0%	
		% OF SALES		% OF SALES	
Gross Profit					
Technology Services (1)	$ 14,554	24.4%	$ 18,238	26.4%	
Hillman Group	19,228	54.0%	18,998	52.9%	
Integrated Supply - Mexico	948	22.4%	612	22.1%	
Consolidated gross profit - ongoing operations	34,730	34.9%	37,848	35.1%	
Contributed Expediter segment (2)	15,052	68.0%	21,819	69.9%	
Integrated Supply - sold business and terminated contracts (3)	-		1,890	31.9%	
Consolidated gross profit	$ 49,782	40.6%	$ 61,557	42.5%	
EBITDA from ongoing operations (4)					
Technology Services (1)	$ (190)	(0.3%)	$ 1,701	2.5%	
Hillman Group	3,504	9.8%	3,331	9.3%	
Integrated Supply - Mexico	160	3.8%	17	0.6%	
Total operations before					

corporate expenses	3,474	3.5%	5,049	4.7%
Corporate expenses, net	(2,048)	(2.1%)	(2,019)	(1.9%)
Consolidated EBITDA - ongoing operations	1,426	1.4%	3,030	2.8%
Contributed Expediter segment (2)	2,823	12.8%	5,468	17.5%
Integrated Supply - sold business and terminated contracts (3)	-		283	4.8%
Consolidated EBITDA	$ 4,249	3.5%	$ 8,781	6.1%

</TABLE>

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(1) Includes remaining Integrated Supply business in the U.S. as a result of customer relationships with the Technology Services Group.
(2) Represents sales, gross profit and EBITDA from the Company's Kar Products, Inc. and A & H Bolt & Nut Company Limited business (collectively, the "Contributed Expediter Segment") which was contributed on March 2, 2000 to a newly formed partnership affiliated with Glencoe Capital, L.L.C.
(3) Represents sales, gross profit and EBITDA from the OEM Fastener Business, which was sold on July 1, 1999 and contracts terminated in 1999.
(4) "EBITDA" (earnings before interest, taxes, depreciation and amortization) is defined as income (loss) from ongoing operations before depreciation, amortization and results of the discontinued Harding segment.

Three Months Ended March 31, 2000 and 1999

Net sales from ongoing operations decreased $8.2 million or 7.6% in the first three months of 2000 to $99.5 million from $107.7 million in 1999. Sales variances by business segment are as follows:

	Sales Increase (Decrease)	
	Amount	%
	(In thousands)	
Technology Services	$ (9,352)	(13.6)%
Hillman Group	(334)	(0.9)%
Integrated Supply - Mexico	1,454	52.4 %
Total Company - Ongoing Operations	$ (8,232)	(7.6)%

Technology Services sales decreased $9.4 million or 13.6% in the first quarter of 2000 to $59.6 million from $69.0 million in 1999 as a result primarily of the reduction of the sales force in early 1999. Hillman's sales decreased $0.3 million or 0.9% in the first quarter of 2000 to $35.6 million from $35.9 million in the first quarter of 1999 as a result of a reduction in new large home center accounts, offset partially by increased traditional hardware and regional home center sales. Integrated Supply- Mexico sales increased $1.5 million in the first quarter of 2000 from $2.8 million in the same period of 1999 as a result of the addition of two new contracts since March 31, 1999.

The Company's sales backlog on a consolidated basis from ongoing operations was $57.6 million as of March 31, 2000, compared with $50.6 million at December 31, 1999, representing an increase of 13.8%.

The Company's consolidated gross margin from ongoing operations was 34.9% in the first quarter of 2000 compared with 35.1% in the first quarter of 1999. Technology Services' gross margin decreased 2.0% in the first quarter of 2000 as a result of competitive pricing pressures and a change in sales mix. Hillman's gross margin increased 1.1% in the comparison period primarily as a result of a reduction in sales allowances in the 2000 period compared to the first quarter of 1999 incurred to attract new business. The Integrated Supply-Mexico segment's gross margin increased 0.3% in the first three months of 2000 resulting mainly from higher margins from new customer contracts.

The Company's selling, general and administrative expenses ("S,G&A") from ongoing operations decreased by $1.6 million to $33.3 million in the first quarter of 2000 from $34.9 million in the first quarter of 1999. Selling expenses for ongoing operations decreased $1.1 million primarily as a result of cost savings associated with the June 1999 restructuring plan at STS. Warehouse and delivery expenses increased $0.3 million as a result of facility reorganization costs at STS and increased payroll costs related to two new accounts for Integrated Supply in Mexico. The decrease in general and administrative expenses of $0.8 million is attributable to headcount reductions associated with the June 1999 restructuring plan at STS.

Total S,G&A expenses from ongoing operations as a percentage of sales compared with the first quarter 1999 are as follows:

	Three Months ended March 31,	
As of a % of Sales:	2000	1999
Selling Expenses	17.8%	17.4%
Warehouse and Delivery Expenses	7.5%	6.7%
General and Administrative Expenses	8.2%	8.3%
Total S,G&A Expenses	33.5%	32.4%

Overall, as a percentage of sales, total S,G&A expenses increased due mainly to the decrease in sales levels in relation to the fixed cost component of S,G&A expenses.

EBITDA from ongoing operations was $1.4 million for the three months ended March 31, 2000 after corporate expenses compared with $3.0 million in the comparison period.

The Company's consolidated operating profit margin (EBITDA from ongoing operations, as a percentage of sales) after corporate expenses declined to 1.4% in the first quarter of 2000 compared with 2.8% in the same prior-year period. Technology Services operating profit margin decreased to (0.3%) from 2.5% in the first quarter of 1999, primarily reflecting reduced 2000 sales and the gross margin decline discussed above. Hillman's operating profit margin increased to 9.8% from 9.3% in the same prior-year quarter as a result mainly of improved gross margins as discussed above. Integrated Supply-Mexico's operating profit margin increased to 3.8% from 0.6% as a result of increased sales and higher gross margins from new accounts.

Interest expense, net increased $0.4 million in the first quarter of 2000 from $2.0 million in the first quarter of 1999 due primarily to an increase in interest rates since the first quarter of 1999 and amortization of deferred financing fees related to the Company's December 1999 debt refinancing.

The Company pays interest to the Trust on the Junior Subordinated Debentures underlying the Trust Preferred Securities at the rate of 11.6% per annum on their face amount of $105.4 million, or $12.2 million per annum in the aggregate. The Trust distributes an equivalent amount to the holders of the Trust Preferred Securities. For the three months ended March 31, 2000 and 1999, the Company paid $3.1 million in interest on the Junior Subordinated Debentures, equivalent to the amounts distributed by the Trust on the Trust Preferred Securities.

The Company is subject to federal, state and local income taxes on its domestic operations and foreign income taxes on its Canadian and Mexican operations as accounted for in accordance with Statement of Financial Accounting Standard ("SFAS") 109, "Accounting for Income Taxes". Deferred income taxes represent differences between the financial statement and tax bases of assets and liabilities as classified on the Company's balance sheet. The effective income tax rate decreased to 11.1% in the first quarter of 2000 from 41.6% in the 1999 comparison period due primarily to a significant portion of the gain from the contribution of Kar being non-taxable as a result of the Company's remaining 49% ownership interest in G-C.

Liquidity and Capital Resources

The Company's cash position of $1.6 million as of March 31, 2000, decreased $3.5 million from the balance at December 31, 1999. Cash was provided during this period primarily from proceeds from the Kar transaction previously discussed ($105.0 million), offset predominately by repayments under the bank credit agreement ($95.7 million), cash used in operations ($10.2 million), capital expenditures ($0.6 million), and other disbursements, net ($2.0 million).

The Company's net interest coverage ratio from continuing operations including Kar for the three months ended March 31, 2000 declined to .60X (earnings before interest, distributions on trust preferred securities and income taxes, excluding non-recurring events, over net interest expense and distributions on trust preferred securities), from 1.39X in the 1999 comparison period as a result of reduced earnings and increased interest expense.

The Company's working capital position of $109.4 million at March 31, 2000, represents a decrease of $26.2 million from the December 31, 1999 level of $135.6 million as a result mainly of the Kar transaction. The Company's current ratio decreased to 2.44x at March 31, 2000 from 2.56x at December 31, 1999.

On March 2, 2000, SunSource contributed the interests in the Company's Kar Products subsidiary including its Canadian operation, to a newly formed partnership affiliated with Glencoe as previously mentioned. The Company received $105 million in cash proceeds from the transaction which were used to reduce the bank revolver borrowings. The Company also recorded a pre-tax gain of $49.1 million which has restored the Company's stockholders' equity to a significant positive position of $28.5 million from its deficit balance of $17.2 million at December 31, 1999. In addition, SunSource's remaining investment in Kar of 49% allows the Company to participate in the capital appreciation of Kar in the future with Glencoe.

As of April 30, 2000, the Company had approximately $13.0 million available under its senior secured credit facilities. The Company had approximately $99.4 million of outstanding debt at April 30, 2000, consisting of a $17.5 million senior secured term loan currently at 9.0%, bank revolver borrowings totaling $79.9 million at an effective interest rate of 9.0%, and capitalized lease obligations of $2.0 million at various interest rates.

As of April 30, 2000, the Company's senior debt (including distributions payable) as a percentage of its consolidated capitalization (senior debt, trust preferred securities and stockholders' equity) was approximately 39.0% compared with 56.6% at December 31, 1999 and 49.4% as of March 31, 1999. The Company's consolidated capitalization (including distributions payable) as of April 30, 2000, was approximately $242.7 million compared to $225.7 million at December 31, 1999 and $269.2 million at March 31, 1999.

On April 7, 2000, the Company completed the acquisition of Axxess for a purchase price of $110.0 million composed of $87.0 million in cash and $23.0 million in subordinated notes. In connection with the sale of Harding on April 13, 2000, the Company repaid $9.6 million of these subordinated notes leaving a balance of $13.4 million, as follows: 1) a $2.4 million 15% note due April 7, 2001 and 2) an $11.0 million note which is payable in seven equal quarterly installments commencing the earlier of i) the first calendar quarter after payment in full of the term loan provided by the Company's senior lenders (the "Term Loan") or ii) March 31, 2004. Interest on the $11.0 million subordinated note ranges from prime plus 1% to prime plus 5% with a maximum rate at any time of 15%. Interest is payable upon maturity of the subordinated notes.

On December 15, 1999, the Company refinanced its $90 million bank revolver and $60 million senior notes with $155 million in senior secured credit facilities. As a result of the Kar transaction on March 2, 2000 and the acquisition of Axxess on April 7, 2000, the Company reduced the revolving credit portion of the facility from $130 million to $115 million. The senior secured credit facilities expire on December 14, 2004 and provide SunSource with adequate funds for working capital and other corporate requirements.

The Company further strengthened its financial position upon consummation of the sale of the Harding Glass business on April 13, 2000. The Company sold substantially all of the assets of Harding for a cash purchase price of approximately $31.4 million plus the assumption of certain liabilities aggregating $11.6 million by the buyer, subject to certain post-closing adjustments. Proceeds from the sale of Harding were used by the Company as follows: 1) a repayment of bank revolver borrowings of $15.8 million (representing primarily Harding's collateral in the borrowing base), 2) a principal repayment of the Term Loan of $4.0 million, 3) a repayment of certain Axxess subordinated notes in the amount of $9.6 million, and 4) a cash reserve of $2.0 million to support the issuance of a stand by letter of credit in the same amount to the purchaser of Harding.

The Company has spent $0.6 million for capital expenditures through March 31, 2000, primarily for warehouse improvements, machinery and equipment, computer hardware

and software. The Company expects to spend an additional $8.7 million by December 31, 2000, for a total of $9.3 million in 2000 including $7.3 million for Axxess. The total anticipated spending of $9.3 million in 2000 represents an increase of $4.5 million compared to total year 1999 as a result of the acquisition of Axxess.

On June 30, 1999, the Board of Directors of the Company suspended indefinitely the quarterly cash dividend of $.10 per common share.

On August 6, 1998, the Company's Board of Directors authorized $15.0 million for management to repurchase up to 10% of the Company's outstanding common shares through open market transactions and private block trades dependent upon market conditions. The Company subsequently suspended the repurchase program on March 16, 1999. The Company has acquired and placed into treasury 479,100 common shares through March 31, 2000, at an average cost of $18.17 per common share.

The Company has deferred tax assets aggregating $13.6 million as of March 31, 2000, as determined in accordance with SFAS 109. Management believes that the Company's deferred tax assets will be realized through the reversal of existing temporary differences between the financial statement and tax bases, as well as through future taxable income.

Year 2000 Issue

All of the Company's operating segments successfully met the year 2000 compliance requirement for proprietary and purchased software, and machinery and equipment utilized in the daily business process. In addition, the Company's suppliers or customers did not experience any material year 2000 compliance-related problems of which the Company is aware.

All operating divisions continued to monitor their non-critical processing software to ensure that all non-critical programs have been successfully executed through the first quarter of 2000.

The Company's established Year 2000 compliance budget of $1.7 million, funded from operating cash flows, was not exceeded. In addition, the Company has not incurred any significant expenses related to the Year 2000 compliance issue during the first quarter of 2000.

Inflation

Inflation in recent years has had a modest impact on the operations of the Company. Continued inflation, over a period of years at higher than current rates, would result in significant increases in inventory costs and operating expenses. However, such higher cost of sales and operating expenses can generally be offset by increases in selling prices, although the ability of the Company's operating divisions to raise prices is dependent on competitive market conditions.

Forward Looking Statements

Certain disclosures related to acquisitions and divestitures, refinancing and capital expenditures contained in this report involve risks and uncertainties and may constitute forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. We have based these forward-looking statements on our current expectations, assumptions and projections about future events. These forward-looking statements are subject to known and unknown risks, uncertainties and assumptions that may cause our actual results, levels of activity, performance, or achievements to be materially different from any future results, levels of activity, performance, or achievements expressed or implied by such forward-looking statements. Actual results could differ materially from those currently anticipated as a result of a number of factors, including the risks and

uncertainties discussed under captions "Risk Factors" - Restructuring, Risks Associated with Acquisitions and the New York Stock Exchange Listing set forth in Item 1 of the Company's Annual Report on Form 10-K for the year ended December 31, 1999. Given these uncertainties, current or prospective investors are cautioned not to place undue reliance on any such forward-looking statements.

In some cases, you can identify forward-looking statements by terminology such as "may," "will," "should," "could," "would," "expect," "plan," "anticipate," "believe," "estimate," "continue" or the negative of such terms or other similar expressions. All forward-looking statements attributable to us or persons acting on our behalf are expressly qualified in their entirety by the cautionary statements included in this Report. We undertake no obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events or otherwise. In light of these risks, uncertainties and assumptions, the forward-looking events discussed in this Report might not occur.

PART II
OTHER INFORMATION

Items 1, 2, 3 & 5 - None

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

The Company held its Annual Meeting of Stockholders on May 11, 2000 to consider and take action on the following:

1. Election of three directors.

2. Approval of proposal to declassify the Company's Board of Directors.

The items listed above are discussed in detail in the Company's Proxy Statement filed on April 12, 2000. The voting results for each of these items are as follows:

1. Election of directors:

	Votes For	Withheld
O. Gordon Brewer, Jr.	5,868,446	320,100
Stewart A. Bliss	5,876,046	312,500
Arnold S. Hoffman	5,877,921	310,625

	Votes For	Votes Against	Abstain
2. Approval of the Proposal to Declassify the Company's Board of Directors.	1,627,277	2,781,499	--

Item 6 - Exhibits and Reports on Form 8-K

A Current Report on Form 8-K was filed on March 17, 2000 reporting a disposition under Item 2 of Form 8-K.

A Current Report on Form 8-K was filed on April 24, 2000 reporting an acquisition and a disposition under Item 2 of Form 8-K.

A Current Report on Amendment No. 1 to Form 8-K originally filed on April 24, 2000 was filed on May 11, 2000 under Item 7 of Form 8-KA including the December 31, 1999 audited financial statements of Axxess Technologies, Inc.

SIGNATURES

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

SUNSOURCE INC.

/s/ Joseph M. Corvino	/s/ Edward L. Tofani
- --------------------------	--------------------------
Joseph M. Corvino	Edward L. Tofani
Vice President - Finance	Controller
(Chief Financial Officer)	(Chief Accounting Officer)

DATE: May 15, 2000