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, 1999

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 17, 1999 there were 6,742,159 Common Shares outstanding.

SUNSOURCE INC.

INDEX

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

<TABLE>
<CAPTION>

ASSETS	March 31, 1999 (Unaudited)	December 31, 1998	March 31, 1998 (Unaudited)
<S>	<C>	<C>	<C>
Current assets:			
Cash and cash equivalents	$ 2,119	$ 2,796	$ 21,043
Accounts receivable, net	103,536	88,629	90,469
Inventories	120,151	112,497	104,801
Deferred income taxes	10,055	9,886	10,566
Other current assets	6,306	5,421	4,361
Total current assets	242,167	219,229	231,240
Property and equipment, net	28,207	26,770	21,805
Goodwill	86,032	77,544	62,139
Other Intangibles	1,705	1,807	710
Deferred income taxes	5,121	5,202	4,971
Cash surrender value of life insurance policies	12,064	10,262	9,361
Other assets	876	754	666
Total assets	$ 376,172	$ 341,568	$ 330,892
LIABILITIES AND STOCKHOLDERS' EQUITY			
Current liabilities:			
Accounts payable	$ 61,310	$ 58,353	$ 57,568
Notes payable	1,508	1,770	1,758
Current portion of capitalized lease obligations	276	276	180
Dividends / distributions payable	674	676	277
Deferred tax liability	929	929	935
Accrued expenses:			
Salaries and wages	5,608	8,379	6,137
Income and other taxes	4,489	4,194	3,966
Other accrued expenses	20,680	23,050	19,108
Total current liabilities	95,474	97,627	89,929
Senior notes	60,000	60,000	60,000
Bank revolving credit	71,580	35,000	31,000
Capitalized lease obligations	517	566	505
Deferred compensation	12,229	11,802	11,809
Other liabilities	250	308	745
Total liabilities	240,050	205,303	193,988
Guaranteed preferred beneficial interests in the Company's junior subordinated debentures	115,463	115,551	115,815
Commitments and contingencies			
Stockholders' equity:			
Preferred stock, $.01 par, 1,000,000 shares authorized, none issued	-	-	-
Common stock, $.01 par, 20,000,000 shares authorized, 7,219,308 issued and 6,740,208 outstanding at March 31, 1999, 7,217,263 issued and 6,756,163 outstanding at December 31, 1998 and 7,215,275 shares issued and outstanding at March 31, 1998	72	72	72

Additional paid-in capital	21,137	21,099	20,881
Retained earnings	12,979	12,748	2,635
Unearned compensation	(215)	(229)	-
Accumulated other comprehensive income	(4,609)	(4,596)	(2,499)
Treasury stock, at cost, 479,100 shares at March 31, 1999; 461,100 shares at December 31, 1998; none at March 31, 1998	(8,705)	(8,380)	-
Total stockholders' equity	20,659	20,714	21,089
Total liabilities and stockholders' equity	$ 376,172	$ 341,568	$ 330,892

</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>	<C> March 31, 1999	<C> March 31, 1998
Net sales	$173,111	$171,177
Cost of sales	101,109	103,364
Gross profit	72,002	67,813
Operating expenses:		
Selling, general and administrative expenses	63,408	58,518
Depreciation	1,473	1,109
Amortization	659	513
Total operating expenses	65,540	60,140
Other income	220	21
Income from operations	6,682	7,694
Interest expense, net	2,063	1,688
Distributions on guaranteed preferred beneficial interests	3,058	3,058
Income before provision for income taxes	1,561	2,948
Provision for income taxes	656	1,327
Net income	$ 905	$ 1,621
Basic and diluted net income per common share	$0.13	$0.25
Weighted average number of outstanding common shares	6,752,737	6,474,223

</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>

	March 31, 1999	March 31, 1998
Cash flows from operating activities:		
Net income	$ 905	$ 1,621
Adjustments to reconcile net income to net cash (used for) provided by operating activities:		
Depreciation and amortization	2,132	1,622
Increase in cash value of life insurance	(114)	(854)
Provision for deferred compensation	-	415
Provision (benefit) for deferred income taxes	(88)	268
Changes in current operating items:		
Increase in accounts receivable	(9,886)	(7,968)
Increase in inventories	(6,435)	(1,432)
Decrease (increase) in other current assets	(713)	198
Increase in accounts payable	1,060	7,443
Decrease in income taxes payable	(58)	(483)
Decrease in accrued restructuring charges and transaction costs	(619)	(572)
Decrease in other accrued liabilities	(5,318)	(84)
Other items, net	(69)	630
Net cash (used for) provided by operating activities	(19,203)	804
Cash flows from investing activities:		
Proceeds from sale of property and equipment	274	10
Payments for acquired businesses, net of cash acquired	(13,516)	-
Capital expenditures	(2,136)	(978)
Investment in life insurance policies	(1,300)	(100)
Other, net	(64)	(137)
Net cash used for investing activities	(16,742)	(1,205)
Cash flows from financing activities:		
Net proceeds from issuance of common stock	-	20,889
Borrowings (repayments) under the bank credit agreement, net	36,580	(2,000)
Purchase of treasury stock at cost	(325)	-
Cash distributions / dividends to investors	(676)	(2,718)
Repayments under other credit facilities, net	(262)	(322)
Principal payments under capitalized lease obligations	(49)	(43)
Net cash provided by financing activities	35,268	15,806
Net (decrease) increase in cash and cash equivalents	(677)	15,405
Cash and cash equivalents at beginning of period	2,796	5,638
Cash and cash equivalents at end of period	$ 2,119	$ 21,043

</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, 1999 (Unaudited)

(dollars in thousands)

<TABLE>
<CAPTION>

	Common Stock	Additional Paid-in Capital	Retained Earnings	Unearned Compensation	Accumulated Other Comprehensive Income (1)	Treasury Stock	Total Stockholders' Equity
Beginning Balance - December 31, 1998	$ 72	$ 21,099	$ 12,748	$ (229)	$ (4,596)	$ (8,380)	$ 20,714

Net income			905				905
Change in cumulative foreign translation adjustment					(13)		(13)
Comprehensive income							892
Issuance of 2,045 shares of common stock to certain non-employee directors		38					38
Dividends declared on common stock			(674)				(674)
Amortization of stock option discount				14			14
Repurchase of 18,000 shares of common stock						(325)	(325)
Ending Balance - March 31, 1999	$ 72	$ 21,137	$ 12,979	$ (215)	$ (4,609)	$ (8,705)	$ 20,659

</TABLE>

(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 Industrial Services Company, Inc., 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, 1998.

Accounts payable has been increased to include a reclassification of $8,110 representing checks issued as of March 31, 1999 for which funds would have had to have been drawn against the Company's revolving credit facility if they had been presented on that date.

2. Acquisitions:

(dollars in thousands)

On February 9, 1999, Harding acquired all of the outstanding common stock of Pritchard Glass, Inc. and Premier Glass Services, Inc. for an aggregate net cash consideration of $11,211, including debt repayments of $3,272 and transaction costs of $339, plus the assumption of certain liabilities aggregating $3,189. Harding recorded goodwill of $7,277 related to this acquisition.

During the first quarter, Harding also acquired the assets of two retail glass shops for net cash consideration, including transaction costs, of $1,385 plus the assumption of certain liabilities of $273. Harding recorded goodwill of $1,327 related to these acquisitions.

Cash payments for acquisitions in the first quarter of 1999 also includes disbursements totaling $920 related to prior year acquisitions.

The following disclosures indicate the Company's estimate of financial results had all 1998 and 1999 acquisitions been consummated on January 1, 1998:

	Pro forma	
	Three Months Ended	
	3/31/99	3/31/98
Net sales	$175,959	$184,587
Income before extraordinary items	981	1,992
Net income	981	1,992
Basic and diluted earnings per share	$0.15	$0.31

3. Lines of Credit and Long-Term Debt:

As of March 31, 1999, the Company had $12,977 available under its $90,000 Bank Credit Agreement which provides revolving credit for working capital purposes and acquisitions through September 30, 2002. The Company had $132,373 of outstanding long-term debt and capital lease obligations at March 31, 1999, consisting of bank borrowings of $71,580, outstanding senior notes of $60,000 and capital lease obligations of $793. The Company also had $5,443 of Letters of Credit charged against its available borrowing on the revolving credit facility. The Company has another credit facility available in the amount of $500 for letter of credit commitments only, of which no amount was outstanding as of March 31, 1999. In addition, an indirect, wholly-owned Canadian subsidiary of the Company has a $2,500 Canadian dollar line of credit for working capital purposes of which $70 was outstanding at March 31, 1999.

4. Guaranteed Preferred Beneficial Interests in the Company's Junior Subordinated Debentures:

The sole assets of the Trust are the Junior Subordinated Debentures. The obligations of the Company under the Declaration of Trust of the Trust, the Indenture, the Preferred Securities Guarantee and the Junior Subordinated Debentures in the aggregate constitute a full and unconditional guarantee by the Company of the Trust's obligations under the Trust Preferred Securities. The distributions on the Trust Preferred Securities aggregate $12,232 annually. The Company has guaranteed on a subordinated basis the payment of distributions on the Trust Preferred Securities and payments on liquidation of the Trust and redemption of Trust Preferred Securities (the "Preferred Securities Guarantee"). The principal amount of the Junior Subordinated Debentures is $108,707, consisting of $3,261 related to the Trust Common Securities and $105,446 related to the Trust Preferred Securities; the interest rate is 11.6%; and their maturity date is September 30, 2027, unless redeemed earlier.

The Trust Preferred Securities will be redeemed upon maturity on September 30, 2027, or earlier redemption of the Junior Subordinated Debentures at 100% of the liquidation amount plus accrued and unpaid distributions, provided that any redemption due to a change in the tax status of the interest payments to the Trust within the first five years will be at 101%. The Trust Preferred Securities may be redeemed by the Company at any time after September 30, 2002, at the liquidation value of $25 per security plus accrued and unpaid distributions. The Trust Preferred Securities have equity and debt characteristics but creditor's rights and are therefore classified between liabilities and stockholders' equity on the balance sheet.

5. 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.

6. 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, certain executives and key employees have been granted a total of 301,495 options to purchase shares of the Company's common stock having a potentially dilutive effect on earnings per share. 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, 1999.

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 2,045 Common Shares at fair market value in the first three months of 1999, which results in a compensation charge of $37,500.

Stock Options

On March 5, 1999, the Compensation Committee of the Board of Directors granted 90,000 non-qualified stock options to senior executives under the Company's 1998 Equity Compensation Plan at fair market value on that date of $18.375 per share.

Common Stock Dividend

On December 16, 1998, the Board of Directors declared a dividend of $0.10 per Common Share which was paid on January 7, 1999, to holders of record as of December 28, 1998. On March 29, 1999, the Board of Directors declared a dividend of $0.10 per Common Share which was paid on April 19, 1999, to holders of record as of April 8, 1999. The Company expects to declare future quarterly dividends on the Common Shares to aggregate $0.40 per Common Share annually, subject to the discretion of its Board of Directors and dependent upon, among other things, the Company's future earnings, financial condition, capital requirements, funds needed for acquisitions, level of indebtedness, contractual restrictions and other factors that the Board of Directors deems relevant.

Treasury Stock

On August 6, 1998, the Company's Board of Directors authorized $15,000 for management to repurchase up to 10% of the Company's outstanding common stock through open market transactions and private block trades, dependent upon market conditions. At March 31, 1999, the number of shares purchased under this authorization was 479,100 which are held in treasury at an aggregate cost of $8,705.

7. Segment Information:

The following supplemental table of segment tangible assets is presented due to the increase in segment tangible assets during the three months ended March 31, 1999, which represents primarily additional investments in accounts receivable and inventory:

	3/31/99	12/31/98	$ INC(DEC)	% INC(DEC)
Technology Services	$ 89,518	$ 85,460	$ 4,058	4.7%
Expediter	42,570	42,479	91	0.2%
Integrated Supply	16,954	15,343	1,611	10.5%
Hillman	69,273	59,487	9,786	16.5%
Harding	34,270	27,642	6,628	24.0%
Total	$252,585	$230,411	$22,174	9.6%

8. Subsequent Events:

In April, 1999, the Compensation Committee of the Board of Directors granted the following stock options under the Company's 1998 Equity Compensation Plan:

(1) 300,000 non-qualified stock options at fair market value.
(2) 55,000 non-qualified stock options at 85% of fair market value.
(3) 122,000 incentive stock options at fair market value.

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") 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 businesses which are SunSource Industrial Services Company, Inc., The Hillman Group, Inc.("Hillman") and Harding Glass, Inc. ("Harding").

SunSource Industrial Services Company operates in three segments which are Technology Services, Expediter and Integrated Supply. Technology Services offers a full range of technology-based products and services to small, medium and large manufacturers. The Expediter segment provides personalized, small parts inventory management services to low volume customers. The Integrated Supply segment provides major industrial manufacturing customers with comprehensive inventory management services for their maintenance, repair and operating supplies.

Hillman operates in the Hardware Merchandising Segment, providing small hardware and related items and merchandising services to retail outlets, primarily hardware stores, home centers and lumberyards.

Harding operates in the Glass Merchandising Segment, selling retail and wholesale automotive and flat glass and providing auto glass installation and small contract glazing services to individual consumers, insurance companies, autobody shops, and other customers through a large network of retail glass shops.

Business Reorganization

After the close of business, on December 31, 1998, the Company reorganized its primary operating subsidiary, SDI Operating Partners, L.P. (the "Operating Partnership"), by contributing its assets and liabilities to newly-formed corporate subsidiaries organized according to the Company's current operating structure (the "Reorganization"). The Reorganization allows the Company to implement certain state and local tax planning strategies, to offer its key employees incentive stock options and align its operating businesses in corporate form. As a result of the Reorganization, the Operating Partnership and its general partner, SDI Partners I, L.P. cease to exist.

Stock Repurchase

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 has acquired and placed into treasury 479,100 common shares through March 31, 1999, at an average cost of $18.12 per common share. The Company is currently restricted from making additional repurchases as a result of debt covenants under its credit agreements.

Stock Options

On March 5, 1999, the Compensation Committee of the Board of Directors granted 90,000 non-qualified stock options to senior executives under the Company's 1998 Equity Compensation Plan. These options do not result in a current charge to earnings, however they are included in the calculation of diluted earnings per share from the date of the grant forward.

Acquisitions

On February 9, 1999, Harding acquired all of the outstanding common stock of Pritchard Glass, Inc. ("Pritchard") and Premier Glass Services, Inc. ("Premier") for an aggregate net cash consideration of $11.2 million, including debt repaid of $3.3 million and transaction costs of $0.3 million, plus the assumption of certain liabilities aggregating $3.2 million. Sales of Pritchard and Premier aggregated approximately $25 million for the twelve-month period prior to acquisition. This acquisition adds twenty-one retail glass shops, expanding Harding's business into the North and South Carolina markets.

In addition, in the first quarter of 1999, Harding acquired the assets of two retail glass shops for a net cash consideration of $1.4 million, including transaction costs, plus the assumption of certain liabilities of $0.3 million which had sales aggregating approximately $2.0 million for the twelve-month period prior to acquisition. These acquisitions expand Harding's business into the Columbus, Georgia and Las Vegas, Nevada markets.

Results of Operations

Segment Sales and Profitability for the Three Months Ended March 31, 1999 & 1998

<TABLE>
<CAPTION>

(dollars in thousands)

March 31, 1999 March 31,
1998
-------------- ------------
--
% Total
% Total
Sales Sales
Sales

<S>	<C>	<C>	<C>	<C>
SunSource Industrial Services				
Technology Services	$ 68,270	39.4%	$ 81,965	47.9%
Expediter	31,233	18.0%	31,331	18.3%
Integrated Supply (1)	9,428	5.5%	12,201	7.1%
Industrial Services	108,931	62.9%	125,497	73.3%
Hillman (2) (3)	35,919	20.8%	25,183	14.7%
Harding (4)	28,261	16.3%	20,497	12.0%
Consolidated Net Sales	$173,111	100.0%	$171,177	100.0%
Gross Profit		% Total Sales		% Total Sales
SunSource Industrial Services				
Technology Services	$ 18,098	26.5%	$ 20,863	25.5%
Expediter	21,819	69.9%	22,440	71.6%
Integrated Supply	2,642	28.0%	3,115	25.5%
Industrial Services	42,559	39.1%	46,418	37.0%
Hillman (3)	18,998	52.9%	13,311	52.9%
Harding	10,445	37.0%	8,084	39.4%
Consolidated Gross Profit	$ 72,002	41.6%	$ 67,813	39.6%
EBITA (5)				
SunSource Industrial Services				
Technology Services	$1,128	1.7%	$2,684	3.3%
Expediter	5,195	16.6%	4,849	15.5%
Integrated Supply	416	4.4%	560	4.6%
Industrial Services	6,739	6.2%	8,093	6.4%
Hillman	2,878	8.0%	2,176	8.6%
Harding	(220)	(0.8%)	50	0.2%
Total operations before corporate expenses	9,397	5.4%	10,319	6.0%
Corporate expenses	(2,056)	(1.2%)	(2,112)	(1.2%)
Consolidated EBITA	$ 7,341	4.2%	$ 8,207	4.8%

</TABLE>

(1) Includes sales of $1,829 for the three months ended March 31, 1998, related to integrated supply contracts cancelled in 1998.

(2) Includes sales from businesses acquired in 1998 of $4,595 for three months ended March 31, 1999.

(3) Includes a reduction in sales and gross profit of $914 for the three months ended March 31, 1998 to conform to current accounting for customer rebates.

(4) Includes sales of $5,516 and $3,039 for three months ended March 31, 1999,

related to businesses acquired in 1999 and 1998, respectively. Also includes sales from branches closed in 1998 of $759 for the three months ended March 31, 1998.

(5) "EBITA" (earnings before interest, taxes, and amortization) is defined as income from operations before amortization.

Three Months Ended March 31, 1999 and 1998

Net sales increased $1.9 million or 1.1% in the first three months of 1999 to $173.1 million from $171.2 million in 1998. Sales variances by segment are as follows:

	Sales Increase (Decrease) Amount (In thousands)	%
SunSource Industrial Services Company		
Technology Services	$(13,695)	(16.7)%
Expediter	(98)	(0.3)%
Integrated Supply	(2,773)	(22.7)%
Industrial Services	(16,566)	(13.2)%
Hillman	10,736	42.6 %
Harding	7,764	37.9 %
Total Company	$ 1,934	1.1 %

Technology Services sales decreased $13.7 million or 16.7% in the first quarter of 1999 to $68.3 million from $82.0 million in 1998 due primarily to the restructuring of the sales force as well as the effects of the Asian economic crisis on its original equipment manufacturing customers. Expediter sales decreased $0.1 million or 0.3% in 1999 to $31.2 million from $31.3 million in 1998 due to reduced manpower in certain sales territories. Integrated Supply sales decreased $2.8 million or 22.7% in the first quarter of 1999 to $9.4 million from $12.2 million in the 1998 period primarily due to contracts canceled after the first quarter of 1998 which generated sales of $1.8 million in the first quarter of 1998. Excluding terminated contracts, Integrated Supply sales decreased 9.0% in the comparison period.

Hillman's sales increased $10.7 million or 42.6% in the first quarter of 1999 to $35.9 million from $25.2 million in 1998 comparison period due to sales from newly acquired businesses of $4.6 million, market penetration of new product lines to existing customers in the amount of $2.6 million, and the balance of $3.5 million in growth from new accounts and expansion of existing product lines.

Harding's sales increased $7.8 million or 37.9% in the first quarter of 1999 to $28.3 million from $20.5 million in the 1998 comparison period due to an increase of $8.4 million as a result of newly acquired retail glass shops and an increase in retail, contract and other product line sales of $0.4 million, offset by the discontinuation of certain low-margin product lines resulting in reduced sales of $0.8 million and a decrease of $0.2 million in wholesale glass. Growth in Harding's retail glass shops is expected to continue as a result of sales development programs and the recent acquisitions.

The Company's sales backlog on a consolidated basis was $66.2 million as of March 31, 1999, compared with $66.4 million at December 31, 1998, and $81.7 million as of March 31, 1998, a decrease of 0.3% and 19.0%, respectively.

The Company's consolidated gross margin was 41.6% in the first quarter of 1999 compared with 39.6% in the first quarter of 1998. SunSource Industrial Services Company's gross margin was 39.1% in the first quarter of 1999 compared with 37.0% in the first quarter of 1998, an increase of 2.1%. Technology Services' gross margin increased 1.1% in the first quarter of 1999 due to tighter pricing controls. The Expediter activity's gross margin declined 1.7% in the first quarter of 1999 due to competitive pricing pressures. The Integrated Supply

activity's gross margin increased 2.5% in the first quarter of 1999 due to sales mix. Hillman's gross margin remained constant with the first quarter of 1998.

Harding's gross margin decreased 2.5% in the comparison period due to an increase in contract sales at lower gross margins than the overall retail glass business.

The Company's selling, general and administrative ("S,G&A") expenses increased by $4.9 million or 8.4% to $63.4 million in the first quarter of 1999 from $58.5 million in first quarter of 1998. Selling expenses increased $1.6 million, primarily as a result of the acquisitions at Hillman and Harding, offset by decreases in all other businesses as a result of reduced sales levels. Warehouse and delivery expenses increased $2.4 million or 23.1% due mainly to integration costs for the 1998 acquisitions at Hillman and facility reorganization costs at Technology Services. The increase in general and administrative expenses of $0.9 million or 4.9% is also attributable to the integration of the newly acquired businesses at Harding and Hillman.

S,G&A expenses as a percentage of sales increased compared with the first quarter of 1998, as follows:

	Three Months ended March 31,	
	1999	1998
Selling Expenses	17.9%	17.1%
Warehouse and Delivery Expenses	7.2%	5.9%
General and Administrative Expenses	11.5%	11.2%
Total S,G&A Expenses	36.6%	34.2%

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.

EBITA from operations after corporate expenses was $7.3 million for the three months ended March 31, 1999, compared with $8.2 million for the same prior-year period.

The Company's consolidated operating profit margin (EBITA, as a percentage of sales) after corporate expenses declined to 4.2% in the first quarter of 1999 compared with 4.8% in the same prior-year quarter. SunSource Industrial Services Company's operating profit margin declined to 6.2% in the first quarter of 1999 from 6.4% in the same quarter of 1998, primarily reflecting reduced 1999 sales and increased expenses related to the reorganization of sales and administrative functions in the Technology Services segment. Hillman's operating profit margin declined in the first quarter of 1999 to 8.0% from 8.6% in the same quarter of 1998 due to increased selling expenses for new field staff related primarily to 1998 acquisition activities. Harding's operating profit margin declined in the first quarter of 1999 to a negative 0.8% from 0.2% in same quarter of 1998 due to increased selling and administrative expenses related to integration costs for newly acquired businesses.

Depreciation expense increased $0.4 million to $1.5 million in the first quarter of 1999 from $1.1 million in same quarter of 1998 due primarily to the acquisition activity at Hillman and Harding and an overall increase in the depreciable fixed asset base due to investment in the Company's core businesses.

Amortization expense increased $0.2 million to $0.7 million in the first quarter of 1999 due primarily to the acquisition activity at Hillman and Harding.

Interest expense increased $0.4 million in the first quarter of 1999 to $2.1 million due primarily to increased borrowings on the Company's revolving credit facility as a result of cash requirements to fund the Company's acquisition activities and working capital investment.

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. The Trust distributes an equivalent amount to the holders of the Trust Preferred Securities. For the three months ended March 31, 1999 and 1998, the Company paid $3.1 million in interest on the Junior Subordinated Debentures, equivalent to the amounts distributed by the Trust.

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 Company's combined effective tax rate was 42.0% for the three months ended March 31, 1999.

Liquidity and Capital Resources

Earnings before interest, taxes, depreciation and amortization ("EBITDA"), decreased $0.5 million or 5.4% to $8.8 million in the first quarter of 1999 from $9.3 million in the same quarter of 1998. The Company's net interest coverage ratio for the quarter ended March 31, 1999, declined to 1.30X (earnings before interest, distributions on Trust Preferred Securities and income taxes over net interest expense and distributions on Trust Preferred Securities), from 1.62X in the 1998 comparison period as a result of reduced earnings and increased interest expense.

The Company's cash position of $2.1 million as of March 31, 1999, decreased $0.7 million from the balance at December 31, 1998. Cash was provided during this period primarily from net borrowings under the bank revolver ($36.6 million)and proceeds from the sale of property and equipment ($0.3 million). Cash was used during this period predominantly for working capital investments in operations ($19.2 million), acquisitions ($13.5 million), cash distributions to investors ($0.7 million), capital expenditures ($2.1 million), purchase of treasury stock ($0.3 million), investment in life insurance ($1.3 million) and other items, net ($0.5 million).

The Company's working capital position of $146.7 million at March 31, 1999, represents an increase of $25.1 million from the December 31, 1998 level of $121.6 million. The Company's current ratio increased to 2.54x at March 31, 1999 from 2.25x at December 31, 1998, principally due to investments in accounts receivable and inventories.

As of March 31, 1999, the Company had $13.0 million available under its credit facilities. The Company had $132.4 million of outstanding long-term debt at March 31, 1999, consisting of a $60.0 million Senior Note at 7.66%, bank borrowings totaling $71.6 million at an effective interest rate of 6.29%, and capitalized lease obligations of $0.8 million at various interest rates. An indirect, wholly-owned Canadian subsidiary of the Company had a $2.5 million Canadian dollar line of credit for working capital purposes, of which $0.1 million was outstanding at March 31, 1999.

As of March 31, 1999, the Company's total debt (including dividends payable) as a percentage of its consolidated capitalization (total debt, Trust Preferred Securities and stockholders' equity) was 49.4% compared with 41.5% as of December 31, 1998 and 40.2% as of March 31, 1998. The Company's consolidated capitalization (including dividends payable) as of March 31, 1999, was $269.2 million compared to $232.8 million at December 31, 1998 and $228.9 million as of March 31, 1998.

The Company anticipates spending $5.1 million for capital expenditures in 1999, primarily for warehouse improvements, machinery and equipment and computer hardware and software.

On December 16, 1998, the Board of Directors declared a dividend of $0.10 per Common Share which was paid on January 7, 1999, to holders of record as of December 28, 1998. On March 29, 1999, the board of Directors declared a dividend of $.10 per Common Share which was paid on April 19, 1999, to holders of record as of April 8, 1999. The Company expects to declare future quarterly dividends on the Common Shares to aggregate $0.40 per Common Share annually, subject to the discretion of its Board of Directors and dependent upon, among other things, the Company's future earnings, financial condition, capital requirements, funds needed for acquisitions, level of indebtedness, contractual restrictions and other factors that the Board of Directors deems relevant.

The Company has deferred tax assets aggregating $15.2 million as of March 31, 1999, 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

The following discussion is an update of the Company's Y2K disclosure contained in its annual report on Form 10-K for the year-ended December 31, 1998. Each of the individuals responsible for the Y2K plans within the Company's business segments continues to update senior management on a quarterly basis regarding Y2K matters. Plans and locations with critical 1999 dates and activities required to achieve Y2K compliance are being monitored on a more frequent basis by management.

State of Readiness

SunSource Industrial Services

o The remediation of the Expediter segment's proprietary software has been completed utilizing an outside consultant. The testing of this remediation is approximately 80% complete and is targeted for full completion by the end of the third quarter of 1999. Expediter also continues to expect that its critical personal computer ("PC") hardware and purchased software will be compliant and fully-tested by September 30, 1999.

- Technology Services' conversion of all its operating units to the third-party purchased computer system is approximately 60% complete and is currently targeted for full completion and testing by September 30, 1999.

Hillman

Hillman has completed remediation (including full testing) on 100% of its proprietary software programs. Hillman's critical purchased software applications and hardware have been certified by the vendors to be compliant, except for several applications (i.e. payroll, telephone and shipping) which are expected to be upgraded or replaced by July 31, 1999.

Harding

Harding's installation of the Y2K compliant version of its critical purchased point-of-sale software application and its related hardware operating system is 88% complete and is expected to be completed by the end of the third quarter of 1999. Harding's purchased financial software requires a version update to become Y2K compliant which is expected to be installed by the end of May 1999. Harding completed the necessary upgrades for network servers and PC hardware during the first quarter of 1999. Since Harding does not have standardized telephone systems at its 125 locations, an assessment of Y2K compliance for the different telephone systems is being performed due to the important role the telephone plays in Harding's retail glass sales and service activities. Harding has confirmed that 70% of its locations' phone systems are Y2K compliant. Harding expects the evaluation and remediation (if necessary) of the final 30% of its locations to be complete by June 30, 1999.

Costs to Address Year 2000 Issue

The Company's Y2K costs incurred through March 1999 are approximately $0.8 million, of which 80% is for remediation of internally designed software applications. Y2K costs of $0.9 million are expected to be incurred during the remainder of 1999, with approximately 20% for remediation of internally designed software applications, resulting in projected aggregate costs of $1.7 million for the entire Y2K project. The source of the funds for these Y2K costs will be from the Company's operating cash flows.

Risks of Year 2000 Compliance and Contingency Plans

There has been no significant change to the Company's Y2K risk profile or the Company's plans to address potential operating problems related to Y2K.

The Company has received responses from approximately 85% of its major suppliers to its request for Y2K compliance letters. At this time, no significant Y2K issues have been communicated from major suppliers that have responded.

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.

Subsequent Events

On April 27, 1999, Maurice P. Andrien was elected as President, Chief Executive Officer and member of the Board of Directors of the Company effective immediately. Donald T. Marshall will continue as Chairman of the Board, retaining all corporate governance authority and responsibility. In connection with this election, and after approval by stockholders at the Company's Annual Meeting on April 27, 1999 of an amendment to the Company's 1998 Equity Compensation Plan, the Compensation Committee of the Board of Directors granted Mr. Andrien 150,000 non-qualified stock options under such plan.

On April 28, 1999, the Compensation Committee of the Board of Directors granted 150,000 non-qualified stock options to the Chairman of the Board at fair market value, 55,000 non-qualified stock options to senior executives at 85% of fair market value and 122,000 incentive stock options to key employees of the Company's business units at fair market value under the Company's 1998 Equity Compensation Plan.

PART II
OTHER INFORMATION

Items 1, 2, 3, 5, & 6 - None

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

The Company held its Annual Meeting of Stockholders on April 27, 1999 to consider and take action on the following:

1. Election of directors.
2. Approval of proposal to amend the Company's Bylaws to provide Classification of the Board of Directors into three classes of Directors with staggered terms of office.
3. Approval of a proposal to amend the 1998 Equity Compensation Plan to Increase the number of shares that may be issued by the Company under the Plan in connection with the search for a new Chief Executive Officer by 150,000 shares.

The items listed above are discussed in detail in the Company's Proxy Statement filed on April 6, 1999. The voting results for each of these items are as follows:

1. Election of directors:

	Votes For	Withheld
O. Gordon Brewer, Jr.	4,717,222	56,861
Norman V. Edmonson	4,719,047	55,036
Arnold S. Hoffman	4,719,547	54,536
Robert E. Keith, Jr.	4,719,197	54,886
Donald T. Marshall	4,719,372	54,711
John P. McDonnell	4,718,497	55,586
Donald A. Scott	4,715,572	58,511
Geoffrey C. Shepard	4,715,372	58,711
Francis G. Ziegler	4,717,022	57,061

	Votes For	Votes Against	Abstain
2. Approval of the Amendment of the Bylaws	2,603,862	2,164,995	5,226
3. Approval of the Amendment of the 1998 Equity Compensation Plan	3,617,773	1,125,506	30,804

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.

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Joseph M. Corvino	John J. Dabrowski
Vice President - Finance	Controller
(Chief Financial Officer)	(Chief Accounting Officer)

DATE: May 17, 1999

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This schedule contains summary financial information extracted from the Balance Sheet as of March 31, 1999 and the related Statement of Income for the year to date ended March 31, 1999.

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<FN>

<F1> Bonds represents all long-term debt for Senior Notes.

<F2> Represents Guaranteed Preferred Beneficial Interests in the corporation's Junior Subordinated Debentures.

</FN>

</TABLE>