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WAYNE'S WORLD

The Demise Of Transcon

By WAYNE SCHOOLING — June 1, 2015 — Updated: June 1, 2015 27 Comments 11 Mins Read

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Lenny Pelullo got control of a failing firm with millions in assets for \$12 in cash – 19 days later, it was out of business. At one time, Transcon Lines was one of the biggest trucking companies in Southern California, but it was running on fumes when Lenny Pelullo took the wheel in the spring of 1990. Based in Los Angeles, Transcon Lines employed 4,000 people, had 247 terminals in 45 states, and its assets were over \$85 million. Unfortunately, its liabilities totaled almost 120 million, and although their revenue for 1989 was \$226.5 million, the company ended the year with a net loss of about \$31.6 million.



The company was in bad shape. Losing about \$5 million a month, Transcon tried in vain to compete with such industry giants as Roadway and Yellow Freight, but it was late paying its bills and one of its unions had sued to collect an overdue pension payment. Only a patient investor with deep pockets could reverse its downhill slide. Don't look to Lenny Pelullo – he hit the accelerator. Just 19 days after Pelullo's associates bought the company from its parent, Transcon Inc., on April Fool's Day in 1990, it was out of business. Many of its 4,000 workers lost their jobs.

Hundreds of trucking companies shut down that year – victims of high fuel costs and the vicious rate wars that have plagued the industry since it was deregulated. The war for survival in trucking may have benefited consumers by keeping shipping rates low, but it wiped out the profits at many trucking firms, rendering them almost worthless.

Amid the wreckage, Transcon – with over 3,500 trucks and terminals in 45 states – still stands out. A bankruptcy trustee in L.A. had claimed in court that companies linked to Pelullo picked up Transcon Lines for almost nothing and then siphoned millions of dollars from it in just a few weeks. An unintimidated Pelullo denied the charge and said words can't hurt him. "I always make the distinction between allegations and alligators," said Pelullo, a brash Miami businessman who led the group that acquired Transcon Lines.

This was not the first time accusations of fraud had been hurled in Pelullo's direction, but previous allegations had failed to stick. The year before, a court-appointed bankruptcy examiner in Miami said in court papers that he suspected fraud involving yet another money-losing Pelullo company, Royale Group Ltd. of Miami, but lacked the evidence to make charges. In another case, a federal grand jury in Cincinnati indicted Pelullo for his role in an alleged 1984 bank fraud but a jury acquitted him. But Pelullo had other problems, too. He was suing the state of New Jersey over a 1985 study by its Commission on Investigation which called him a "key organized crime associate," an allegation Pelullo denied.

It would be many months before what happened at Transcon Lines became clear. Pelullo said the failure of Transcon Lines was unavoidable. The company was near dead – "on the gas pipe," as he put it – when his associates purchased it for the token price of \$12 cash on April 1. The acquisition was the first step in a series of ill-fated deals intended to build a trucking powerhouse, Pelullo said. While arranging to buy Transcon, Pelullo and his associates also entered into negotiations to purchase PIE Nationwide, a rival trucking firm based in Jacksonville, Florida.

Pelullo said his associates wanted to combine the operations of Transcon and PIE to form one strong trucking firm, but the plan ran into problems. Pelullo said Transcon's lender wouldn't work with his group. And, he said, "There was some trouble with the unions." The trouble was that the unions, sensing Transcon was on the brink, wanted it to keep up on its pension contributions. The Teamsters' Central States Pension Fund, in fact, said it was owed \$4.1 million in overdue contributions. A federal court in Chicago ordered Transcon Lines to pay the Teamsters' fund \$40,000 a day.

Facing a cash flow crunch, Pelullo said, he had to act fast to preserve Transcon's business. The trucker's routes and trucks were sold or assigned to related companies, which then turned the assets over to PIE Nationwide. Lacking routes and trucks, the essential components of a trucking operation, Transcon was essentially out of business.

Pelullo said, in an interview, he was directly involved in negotiations but only as a consultant, not as an investor. He is not an officer of any company, he said. However, his associates held many key

positions at Transcon Lines and other firms involved in the transactions, and Pelullo's dad, Peter Pelullo, was a shareholder in the companies that acquired Transcon and PIE Nationwide.

Take Growth Financial was the company that acquired Transcon Lines. Its chairman was Edmund A. Abramson, a Miami investor and former Oldsmobile dealer who once tried to buy financier Victor Posner's Royal Crown Cola. He met Pelullo in 1989, when Pelullo tried to get Abramson's support for a takeover of Posner's DWG Corp. Abramson turned him down, and Pelullo's takeover attempt fizzled. After that, records show, Abramson stepped forward to help bail out Pelullo's failing Royale Group Ltd.

The company that bought PIE was named Olympia Holdings and its president was Manuel Ferro Jr. He was also senior vice president-finance for Royale Group. David G. Hellhake, vice president of two Pelullo-owned companies and president of a third, is vice president and secretary-treasurer of Transcon Lines and parent, Growth Financial Corp. PIE's board was also packed with Pelullo's associates. Royale Group Vice President John W. Cooney sat on PIE's board, as did Royale Group Executive Vice President Jacob der Hagopian. Abramson and Pelullo were also on PIE's board.

Lawyers and many others involved in discussions over the trucking companies say it is clear to them that Pelullo was in charge. "Pelullo called the shots," said Thomas C. Nyhan, general counsel for the Teamsters Central States Pension Fund. Records on file in bankruptcy court suggested that the demise of Transcon Lines was more than a simple business failure. "Within a few weeks of Growth's acquisition of Transcon, it became a shell," trustee Leonard L. Gumpert said in court papers. "Though the liabilities remained, virtually all of Transcon's assets, other than the accounts receivable, were gone."

Documents filed in court indicate that two days after a firm linked to Pelullo acquired Transcon Lines, the company's bank accounts started to shrink. In a series of transactions, the documents stated, \$1.875 million was transferred to trust accounts at law firms in Rhode Island and New Jersey. It isn't known where all the money went. Records showed that \$280,000 went to a New Jersey printing company that Pelullo runs. Other testimony indicated that \$355,000 went to a consulting firm that Transcon Lines hired the day it was sold. The bankruptcy trustee alleged that the consulting firm, Growth Investments of Miami, was linked to Take Growth Financial, Transcon Lines' new owner, but the president of Growth Investments denied that in court.

Hellhake, vice president at Transcon, said \$600,000 was distributed to lawyers, truck lessors and others. What happened to the rest of the money is still unknown. Gumpert, an attorney with Hufstedler, Miller, Kaus & Beardsley, contended in court documents that \$400,000 was used by the

Miami investors to buy PIE Nationwide. But Pelullo associate Edmund Abramson denied that the money was used for an acquisition.

Other court records state that the cash transfers made it even harder for Transcon to pay its bills. James Fox, a Transcon Lines executive who remained with the trucking firm as a consultant after the sale, testified that he warned the firm's new president that paychecks might bounce if money wasn't returned to Transcon's bank accounts. Fox said that on April 3, Transcon Lines' new president, Herbert Lefkowitz, transferred \$1.7 million from a Transcon Lines account to the Rhode Island law firm trust account, leaving just \$33,000 in the Transcon account. "Before this, Transcon Lines was already unable to pay its creditors," Fox said in court. "After the transfer, my concerns increased. On April 4, the Rhode Island account wired to Transcon Lines \$1 million. Hellhake later testified that the \$1 million was a loan because the \$1.7 million had been "a partial payment for some services rendered to Transcon."

Nonetheless, the company closed down on April 20 with lightning speed, according to a former Transcon driver. Gary D. Peterson said that by nightfall, the company's terminal in West Valley City, Utah, had been cleaned out – there was no freight, no spare tires, no repair tools – nothing. The trucks were gone, too. Peterson stopped going to work. "It was pretty clear I had no job," he said. Two weeks later, he got a layoff notice in the mail.

On May 1, 1990, the Transcon Lines' creditors – including the Central States Pension Fund – placed the company in bankruptcy proceedings. The creditors, citing Pelullo's links to Transcon and his alleged ties to organized crime, among other things, asked that a trustee be appointed to run the company. With its assets listed at \$85.24 million and liabilities at \$119.25 million, Transcon was now being liquidated.

Transcon's creditors and its trustee then raised questions about the sale of the trucker's routes and trucks to a group of interrelated companies. They alleged that the other Pelullo-related firms paid very little to take over Transcon Lines' assets. Moreover, some truck lessors demanded the trucks back. One lessor, Chrysler Capital Corp., argued in court that its lease with Transcon Lines was broken when the company was first sold. And it wasn't easy to round up Chrysler's 170 tractor-trailers. In fact, the people at PIE Nationwide said, at first, that they couldn't even find many of the trucks!

Transcon Lines creditors and employees weren't the only ones unhappy that the company collapsed so abruptly. The seller, Transcon Inc. of Beverly Hills, was angry as well. Transcon Inc. Chairman Orin Neiman said that when he agreed to sell the company for \$12, he presented Pelullo and Abramson with one absolutely non-negotiable demand – the buyers would have to take on Transcon Lines' huge

truckload of debt. Call it a leveraged sellout. "They promised to assume the lease agreements on the trucks, to make payments to the lenders, and so on," said Neiman. What happened next? "They forgot to pay everyone, so now everyone is suing us."

Transcon Lines didn't do very well after a Pelullo-related company bought it, but what about PIE (where I started my career in trucking as a bobtail driver back in the 1965), the successor to Pacific Intermountain Express? PIE inherited most of Transcon's routes, undelivered freight, trucks and other equipment. It got Transcon's customers, too. But the new business didn't help – PIE sought bankruptcy protection in mid-October of that same year. It also laid off 2,600 of its 7,800 workers and dropped some of its out-of-the-way destinations. At that point, the firm's chances to survive were doomed.

Having two disasters in six months, you would think that this would pretty much have ruined Lenny Pelullo's taste for the trucking business. Not by a long shot. His sights were now fixed on Landstar Systems Inc., one of the nation's largest trucker holding companies. According to a lawyer who had seen the letter of intent between Pelullo and Landstar parent IU International, Pelullo was planning to buy Landstar and transfer its trucks to a new company that would also own PIE's trucks. "It was incredibly complicated," a lawyer said. "It took three of us nearly a whole day to figure it out." But that is a story for another day.

Meanwhile, there was a Transcon driver who figured that the company owed him \$17,486 in back wages, unpaid vacation and sick days. He also figured he may have to file bankruptcy to keep his three bedroom ranch home – especially since the Coca-Cola plant nearby wasn't hiring drivers. Last I heard, he was driving a truck for a delivery company, but that wasn't paying him enough to make ends meet. And the funny thing – this driver had never even heard of Lenny Pelullo.



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In Memory Of Randy

Wayne Schooling has been in the transportation business since 1962. Starting out as a driver, Wayne later made the switch to management. Over the years, he has accumulated 22 various awards and honors, been involved with 6 professional affiliations, has spoken at several lectures, and earned 3 professional diplomas. Wayne, who has written for 10-4 Magazine since 1994, is currently President Emeritus of the NorthAmerican Transportation Association (NTA).

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27 COMMENTS

Delbert tisdale on November 27, 2015 5:19 pm

I worked in Denver terminal. Can anyone tell me if any company bought the stock? I have some certificates. Thanks.

[REPLY >](#)

Allen S. Holder on January 9, 2017 10:28 pm

My dad drove for transcon for year until they shut down . Then he drove for P.I.E. the certificates are owned by a company called Continental stock transfer address 17 Battery Place 8th floor New York New York 10004

[REPLY >](#)

Mike DeGrano on September 9, 2017 2:00 am

My dad "Jack" worked for Transcon Lines for 40+ years out of San Leandro, CA. He was a Bobtail driver, as well as a dock foreman. He really loved his job right up to that dreadful day it closed abruptly. When they closed, he went to work for a few years at Yellow in Union City, CA. Teamsters Local 70 all the way! He passed away last week after a 2 year battle with dementia. He was a truck driver through and through. May he rest in peace.

[REPLY >](#)

carter bishop on August 18, 2019 2:39 pm

very sorry you lost your dad, may he rest in peace.

[REPLY >](#)

John Williams on November 24, 2019 5:05 pm

I was a foreman during the 70s. Your dad was one of the men in the terminal. Sorry for your loss.

[REPLY >](#)

Steve Bettencourt on July 2, 2020 12:30 am

J

Hey Mike, My Dad Leonard Bettencourt worked at San Leandro Terminal With Bob Cermello

and also drove Bobtail and worked the Loading Docks before transferring to Santa Clara Local 287...

[REPLY >](#)

Rick Johnson on March 8, 2018 9:25 am

My dad, Dick Johnson, worked out of the Baltimore office as regional sales manager. Great company...

[REPLY >](#)

James Fox on August 15, 2018 2:33 pm

I was the very last Transcon employee and was in the middle of the collapse. Wayne Schooling's article was dead on, except there was no way to capture the human tragedy. Transcon was made up of thousands of good people who paid the price for the errors of others. I still miss TC.

[REPLY >](#)

Leon mcbride on March 15, 2020 6:09 pm

I worked for trans con lines out of Buffalo ny, hired on in 1978 as a road driver. I was 25 and first new hire off the street. I thought I died and went to heaven ! Was a great job to the end and I met alot of great people who work there.

[REPLY >](#)

Paul Fry on March 5, 2022 3:58 pm

I worked 15 years at the Tacoma,Wa. Terminal. I, to this day have never had a job I loved more.

[REPLY >](#)

Robert on June 18, 2019 4:29 pm

My dad drove for Transcon out of Oklahoma city beginning in 1973 I believe, he then transferred to Mo. before transferring back to OKC as his last duty station. Would anybody

remember him. I am looking for some information on him from his early time in OKC. He is now deceased.

[REPLY >](#)

j.w. beeson on October 1, 2020 3:15 am

I drove for Transcon out of OKC from 73 to 78. started on the Extra board and was holding a vacant seat on the paired board when I quit in 78. Still have my "Swingin Bunk". When I tell folks about it they can't believe it. Started at Lee Way In OKC but went to Transcon. Better folks to work for. Still have most of my Transcon related stuff. safety pins, awards, Hat badge, Cat Handle, ect. Truck Drivin has changed considerably since then. So has the Roads and Equipment. Power Steering and Air Seats—"Really".

[REPLY >](#)

MIKE BORRADAILE on February 13, 2021 5:51 pm

I WORKED FOR TRANSCON OUT OF PHILLY, BEST JOB I EVER HAD, THE WORKERS THE GREATEST. STILL MISS IT TODAY. MIKEY B.

[REPLY >](#)

Rey Dub on March 24, 2021 10:47 am

The company my dad worked for used shipping companies like Transcon and Ringsby. I remember the blue and red for Transon and yellow and black for Ringsby. I was a tot back then and the company owner let my dad babysit me while he was a work. I think the bobtail driver was "Albie", this would have been San Francisco.

[REPLY >](#)

Bud Brinkley on May 1, 2021 8:50 am

I worked for TransCon out of the Richmond, VA terminal, beginning in 1970. This was without a doubt the very best company I ever drove for!

[REPLY >](#)

Jim Wade on August 26, 2021 2:47 pm

Worked for Transcon Lines from the opening of the Santa Fe Springs Terminal in 1971 till 1983. Sales Rep, Sales Manager, Santa Fe Springs and Director of National Accounts El Segundo, CA. Joe Hall was President, Joe Gentry, Joe De Bella....Robb Reed and others. Bud Henning, Clarence Burger and too many great people to list. Just a great company at that time to work for. Lloyd Bellinger Denver Terminal. Loyd Prewett, Rawlee Genchi. Just a sad situation for many wonderful people who were with the company when they closed the doors.

[REPLY >](#)

Richard Stall on January 21, 2022 5:02 am

My Grandfather Joe Young drove for Transcon he retired he loved his job always talked about it he even wore his work uniform everyday after he was retired he definitely was proud of Transcon i don't really remember hearing much about anything that happened to the company but My grandfather never really talked about negative stuff around us kids but as much as My grandfather enjoyed working for Transcon I'm sure he definitely did talk about what had happened to the Company. Just figured I'd put something out for my Grandfather Joe Young.

[REPLY >](#)

skedge on July 14, 2022 3:37 am

You guys like Cannon, the TV private eye?
In episode "Call Unicorn", he went undercover
as a trucker, and he was driving TC trucks!

[REPLY >](#)

Richard Halmos on September 3, 2022 11:57 am

I was a member of the Teamsters Union. Worked in Office Services and Accounts Receivables Department.

[REPLY >](#)

Richard Halmos on September 3, 2022 12:00 pm

I was Mr. Barron's Right Hand Man overseeing the driver's insurance program.

[REPLY >](#)

Dave McCarty on March 17, 2023 3:43 pm

My dad, Vaughn " Mac " McCarty worked for TC in OKC in the 60s and early 70s and then transferred to Dallas...retired in early 80s. I drove him to the terminal sometimes and watched him prep his cab with his own shifter knobs. One of his good co drivers was named Tom. I was stationed at MCAS El Toro from 75 to 78. Our house was off the 5 interstate at El Toro road and dad would pull off and park in front of the house and stay for dinner.

[REPLY >](#)

Frank Farmer on May 22, 2025 8:28 am

My Dad Frank Farmer worked for Trans Con from 1980 till they closed shop. Started in Detroit, transferred to Chicago in 1984. I still have his 1 million safe mile belt buckle. It's a cherished relic. I'm 61, been driving 39 years, the Industry has sure changed. I enjoyed his stories about all his friends there. Pepsi, Indian Joe, Sky King. I met them all.

[REPLY >](#)

Richard Halmos on September 9, 2022 10:17 pm

Still in Business or out?

[REPLY >](#)

Richard Halmos on September 9, 2022 10:20 pm

I was chief Accountant with Mr. Barron thanks to Mr. Barron's promotion.

[REPLY >](#)

Kathy Smalley-Stoll on January 6, 2023 4:32 pm

My dad worked as a dock foreman at Transcon in Kansas City, MO. I was a child at the time and cannot remember where it was located. We used to love searching for all the TC trucks we could find during our family road trip vacations. We would get so excited, and we could always get them to honk and waive back at us. He later went to work for Beaufort Transfer. I wish he was still here to talk about his memories of the truck lines, but sadly he passed away almost two years ago.

[REPLY >](#)

Dave Thomas on May 19, 2024 9:26 pm

My dad, Cecil Thomas, worked in Birmingham, Alabama as Assistant Terminal Manager. He started with Decatur Transit as a rate clerk and Decatur Transit got sold to Transcon. He worked until Transcon closed. He loved his job.

[REPLY >](#)

Steve Harvie on February 19, 2025 12:51 am

Hello:

I worked as a mechanic for TC in OKC in I think 1980 but had to leave shortly after I got hired.. I think the manager's name was Jack. (Last name has escaped my memory but was it Morris?). It seemed to me that I heard that terminal (OKC) closed shortly thereafter. Am I right on this? Jack had told me shortly after hiring me that it was struggling for survival. After reading the above I was struck at how similar the demise of TC was to the demise of Yellow Freight where I was working when it shut down on July 31 of 2023. YRC is to this day still in negotiations, as I keep getting mail from their lawyers and Teamsters. Like TC, they had acquired Roadway and Holland and I think a couple others, then ran out of money. Their freight apparently went to XPO after they just all of a sudden shut down. Does anybody else identify with my sentiment that this looks like the worst of capitalism? Apollo Hedgefund and the US government was involved with YRC. Does anybody know how the arrangement with XPO is working out? Maybe I should apply. I was told they would not hire us YRC drivers.

[REPLY >](#)

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