



THE 1926 SHAREHOLDERS’ AGREEMENT OF THE RENNER LEATHER FACTORY – HOW TO GOVERN A LARGE TRANSYLVANIAN (MULTI)FAMILY COMPANY IN TURBULENT TIMES

EMÓD VERESS

ABSTRACT

This chapter examines a unique and advanced instance of early 20th-century corporate governance in East-Central Europe: the 1926 shareholders’ agreement of the Renner Leather Factory (subsequently referred to as Dermata) in Cluj. The founding families created a private legal system to keep their groups together and maintain strategic control during major political and territorial changes, such as the fall of the Austro-Hungarian Empire and the addition of Transylvania to Romania. The agreement, signed by members of the Farkas, Hecht, and Renner families, set rules for how to vote, how to transfer shares, how to choose leaders, and how to settle disputes. It put in place systems like bearer share deposits, fiduciary discipline, hand pledges, and arbitration to lower the risks of ownership dilution and political uncertainty.

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These arrangements worked with and sometimes outside of formal corporate law. This case provides a unique insight into how business elites employed legal ingenuity to maintain influence, cohesion, and continuity in a volatile geopolitical environment.

Keywords: *syndicate agreement, bearer shares, multi-family ownership, hand pledge, arbitration clause.*

1. HISTORICAL AND GEOPOLITICAL BACKGROUND

In 1911, during the final decades of the Austro-Hungarian Empire, a joint-stock enterprise specialising in leather manufacturing was established in Transylvania, a region long known for its ethnic and religious diversity. The founders were three prominent families of German and Hungarian-Jewish origin. The company was headquartered in the region's administrative center, now Cluj-Napoca (known historically as Kolozsvár in Hungarian, Cluj in Romanian, Klausenburg in German, and Klotznborg in Yiddish).¹

Transylvania became part of Romania in 1918/1920, after the Austro-Hungarian Monarchy fell apart. This was part of a larger effort to redraw national borders after World War I. Even though there were important changes in politics and state frontiers, the leather company not only survived but grew. This resilience was tested again in 1940, when the Second Vienna Award moved Northern Transylvania back to Hungary. It was then returned to Romania at the end of World War II in 1944/1945. The changes in sovereignty weren't just fluctuations in how the company was run; they also caused important difficulties in how the company worked. Changes in the law that came with each change in state power made things even more complicated, which made the legal environment unstable and challenging for businesses in the area to adapt to.

1 The renaming of Cluj to Cluj-Napoca by State Council Decree No. 194 of October 16, 1974, was a politically symbolic act aligned with Nicolae Ceaușescu's national-communist agenda, with "Napoca" referencing the ancient Roman settlement once located in the area. For the broader context, see Verdery, 1995.

Another defining transformation was social and ideological. Owing to the Soviet military occupation at the end of World War II, the Transylvanian region (like much of Eastern Europe) underwent a radical political reordering. Capitalism gave way to a Soviet-modelled totalitarian regime intent on dismantling private enterprise through nationalisation and the elimination of private property.

The changing denomination (“identity”) of the leather company mirrored these transformations. Initially named *Renner*, after the German family that introduced leatherworking expertise to the enterprise, the company was rebranded *Dermata* during Romania’s interwar period of rule, coinciding with a phase of rapid expansion.² Following nationalisation, it was renamed “*Herbák János*”, to honour a Hungarian

- 2 The name *Dermata* does not have a straightforward dictionary definition. Derived from Latin/Greek roots, the prefix “*derma*” (from Greek “*δέρμα*”) means “*skin or leather*”, fitting for a company in the leather and footwear industry. The name was likely chosen to sound modern, technical, and internationally recognisable, reflecting the company’s focus on leather production and expansion during the Romanian interwar period.

communist³ – a decision that reflected the town’s ethnic makeup, which remained predominantly Hungarian until the late 1950s. In a later stage marked by intensified Romanian nationalism, the company received its final name: *Clujana*.⁴

This historical context raises critical questions: How could this company endure such dramatic geopolitical, legal, and ideological changes? What strategies enabled its persistence and development? This research commences with a brief history of the company and its significance to the economy and society (Section 2). The primary objective of this

3 Herbák János (1911–1940) was a communist activist of Hungarian origin in Romania, known for his early and determined involvement in the workers’ movement and underground communist youth organisation in interwar Romania. He was born on February 2, 1911, in the Szilágyság (Sălaj) region (now part of northwestern Romania), the tenth child in a poor peasant family. Experiencing poverty from an early age, Herbák began working as a cobbler’s apprentice at just 13, after his family relocated to Margitta (Marghita) in 1924. Herbák became politically active as a teenager, joining the underground Communist Youth Union, where he quickly emerged as an organiser and propagandist. He participated in clandestine meetings, distributed political literature, and transformed his home into a centre for political education among local youth. After moving to Cluj (Kolozsvár), he continued his political activism, eventually becoming a provincial secretary of the Communist Youth Union. In 1934, he led a bold propaganda action that involved raising the red flag of the Communist Party at the Dermata factory. Arrested in 1935 after attending a secret meeting of youth leaders in Bucharest, he was imprisoned, tortured, and sentenced to ten years by a military court. He was eventually transferred to Doftana Prison, infamous for holding political prisoners. On the night of November 10–11, 1940, a powerful earthquake caused the prison to collapse, killing Herbák along with many others. He was posthumously honoured as a martyr of the anti-capitalist struggle, and his name was given to the nationalised Dermata leather factory during the early phase of the Soviet-type dictatorship. For details see Mihálka, 1971, p. 4; Weisz, 1971, p. 2. In 1960, a statue of János Herbák was erected next to the factory, but it was stolen by metal thieves in 2008. The pedestal remains in place today. See Lakatos, 2015, pp. 118–119.

4 The name *Clujana* derived from the city’s Romanian name, *Cluj*. The suffix “-ana” is often used in Romanian to create adjectives or demonyms, indicating origin or affiliation. So, *Clujana* roughly means “the one from Cluj” or “belonging to Cluj”. The name change reflected a nationalist branding: adopted in the later communist period, it highlighted the Romanian identity, in contrast to earlier German or Hungarian associations.

chapter is to conduct a thorough investigation of a particular corporate governance⁵ method employed by this multi-family enterprise. The emphasis is on the shareholders' agreement established in 1926, a legally binding internal accord among the founding families, crucial for governing ownership, decision-making, and collaboration inside the corporation (Section 3).⁶ This agreement offers a distinctive and substantial viewpoint on how early 20th-century joint-stock companies with familial ownership in East-Central Europe sought to maintain internal unity and exert control amid a rapidly changing political and economic environment.

2. A BRIEF COMPANY HISTORY: FROM FOUNDATION (1911) THROUGH NATIONALISATION (1948), AND BEYOND (2022)

The origins of the company later known as *Dermata* reflect a convergence of artisanal expertise, legal entrepreneurship, and interethnic cooperation in a politically volatile region.⁷ While the firm was initially registered under the name *Renner Brothers & Co. Leather Factory*, a title highlighting the German founders' contribution, its corporate structure and evolution were significantly more complex, involving strategic alliances with Hungarian-Jewish professionals and local financial institutions.

The Renner family, originally from Deggingen in Baden-Württemberg, was relocated to Transylvania in the late 19th century. Johann (János) Renner (1856–1920), a skilled tanner known as “Hanzi”, settled in Reghin,⁸ where he married the daughter of a local butcher, an arrangement that ensured a steady supply of hides for his craft. Though initially working within small local markets, Renner soon gained broader

5 “The term ‘corporate governance’ covers the entirety of regulations addressing the organisational and substantive design of the management and monitoring of enterprises.” See Roth and Kindler, 2013, p. 93.

6 National Archives of Romania, Cluj-Napoca, Clujana fund, 1926, pp. 91 ff.

7 For a more detailed history of the company, see Veress, 2022a, pp. 109–123.

8 Szászrégen in Hungarian, Sächsisch-Regen in German.

recognition. In 1904, he was awarded a gold medal for leather quality at an industrial fair in Turda.⁹ The decorative “golden rooster” emblem featured on the medal became later the company’s long-standing trademark, enduring through regime changes and shifts in sovereignty.

Renner ultimately moved to Cluj, then an under-industrialised city with only a match and tobacco factory in operation. He established a tannery on the right bank of the Someş River,¹⁰ using a rented property that provided essential water access. When this property faced foreclosure, Renner purchased both land and buildings to preserve the site, investing his personal capital. His sons, the brothers Frigyes and Emil, would later become the namesakes of the business.

The expansion of the enterprise into a corporate structure was driven largely by Mózes Farkas, a Hungarian-Jewish lawyer born in 1881 in Huszt/Khust (present-day Ukraine).¹¹ Educated at the Unitarian Gymnasium and Franz Joseph University in Cluj, he earned a law degree and became an attorney in 1907. Sources indicate that his family already had experience in the leather trade: his brother József operated a shoemaking workshop. According to memoirs by writer István Nagy and historian László Bányai, Mózes Farkas acquired hands-on training in shoemaking as a prerequisite for establishing a leather enterprise, an absolutely unusual path for a law graduate, but one that reveals his dedication to understanding the business from the ground up.¹²

The firm was formally established as a *Kommanditgesellschaft* (*betéti társaság*, i.e. limited partnership) in 1910, under Austro-Hungarian jurisdiction and based on Hungarian commercial law. The general partners with joint representation rights were Rezső Hecht, József Farkas, and Johann Renner’s sons, Frigyes and Emil. Mayer Rosenfeld held power of attorney to sign on the company’s behalf, while the *Polgári Takarékpénztár Részvénytársaság* (Citizens’ Savings House Joint-Stock Company) was listed as the limited partner. Within a year, the firm transitioned into a joint-stock company (Renner Testvérek és Társai Bőrgyár Rt., *Brüder*

9 Torda in Hungarian, Thorenburg in German.

10 Szamos in Hungarian, Samosch in German.

11 For details of his life, see Fegyveresi and Székely and Vallasek, 2023, pp. 33–35.

12 See for details Veress, 2022a, pp. 111–112; Nagy, 1957, p. 251; Bányai, 1976, p. 302.

Renner & Companie Lederfabrik Aktiengesellschaft) in 1911, governed by the Hungarian Commercial Act of 1875. The initial capital stock was set at 200,000 crowns, distributed over 400 shares with a nominal value of 500 crowns each.

The enterprise acquired land in Cluj and received public subsidies for industrial development, likely secured through the influence of the Farkas and Hecht families. In 1912, the company constructed its first major factory building. The Hungarian government granted a ten-year tax exemptions and established the factory as a symbol of Cluj's nascent industrialisation. Although the firm failed to secure military supply contracts during the Balkan Wars, World War I brought a dramatic increase in production. During this time, the attorney Mózes Farkas assumed the position of general director,¹³ exhibiting the qualities of a modern corporate manager. A 1924 external audit, commissioned by a bank, praised Farkas's leadership and managerial acumen.

Following the postwar territorial realignment formalised by the Treaty of Trianon (1920), which incorporated Transylvania from Hungary into Romania, Farkas successfully adapted the company to the new legal and political framework. He invited prominent Romanian politicians (former Prime Minister Alexandru Vaida-Voievod and the lawyer and later university professor Emil Hațieganu) to join the board of directors, facilitating a continuation of public support under Romanian jurisdiction. Remarkably, the firm retained and even expanded its tax-exempt status: the Romanian government renewed financial aid for another 30 years, transforming the original 10-year exemption into a long-term subsidy. The legal basis for this was Act III of 1907, a Hungarian statute still applicable in Transylvania, designed to foster regional industrial development. Despite legal objections arguing that the Hungarian statute allowed exemptions for a maximum of 15 years and criticisms that such aid was unnecessary given the firm's declared profit of 1,991,644 lei in 1920, the support continued.

13 "As far as companies have concentrated ownership, the dominant shareholders are likely to appoint board members who act on their behalf: e.g., in a family firm, members of that family. Thus, here, the directors are 'insiders', in contrast to firms with dispersed shareholder ownership where newly appointed directors tend to be 'outsiders' to the company in question." See Siems, 2018, p. 233.

By 1918, the factory employed nearly 800 workers. This number increased to over 1,200 by 1925, 2,000 in 1930, and close to 3,000 by 1938, highlighting the company's sustained growth. In 1930, under Farkas's initiative, the company acquired the Turul Footwear Factory from Timișoara, established in 1901. The company changed its name to Dermata Leather and Footwear Factories Joint-Stock Company (Dermata Fabrici de Pielărie și Încălțăminte S.A. – Dermata Művek Bőrr- és Cipőgyárak Részvénytársaság). Turul had a unique legal status but was operationally integrated into *Dermata* (starting from 1937, functioning under the name “First Footwear Factory from Banat”). In 1926, Dermata produced 138,000 pairs of shoes, and this production number saw a significant increase by 1932, when 470,000 pairs were manufactured.¹⁴

According to the board's 1932 report, the firm declared a profit of 21,670,564 lei. Mózes Farkas possessed 25,124 bearer shares, representing the largest stake among 45 shareholders participating at the 1933 general meeting who collectively exercised 140,245 votes. Participants included investors from Vienna, Budapest, Bucharest, Munich, Prague, London, and Chernivtsi.

In 1932, Farkas drafted a will with a visionary goal: to place his shares in a foundation that would represent the interests of factory employees. The dividends were to be used to benefit workers, and clerks and labourers would be granted representation on the executive and supervisory boards. Board positions were to be divided equally between these two groups, elected by secret ballot from among long-term employees. However, this testamentary act was never executed. Legal revocation remained a possibility, but the reasons for the will's ineffectiveness remain unclear and merit further research. It is known that the shares ultimately passed to Farkas's widow and children in 1941. Even had the foundation been formed, it would likely have been nullified by the nationalisation of 1948, which transferred all ownership to the state without compensation.¹⁵ Furthermore, nationalisation effectively

14 For detailed annual data, see Fegyveresi and Székely and Vallasek, 2023, p. 45.

15 For details of this last will, see Fegyveresi and Székely and Vallasek, 2023, pp. 35–40. This will “drawn up during the Great Depression”, “aimed at establishing a social enterprise along lines that would be exemplary even today”, as the authors of the cited article conclude. Fegyveresi and Székely and Vallasek, 2023, pp. 10, 35.

disrupted the intergenerational transmission of private enterprises, thereby preventing the emergence or persistence of capitalist dynasties' operation.

When a new law mandating the hiring of ethnic Romanians in enterprises was passed in 1934, minority workers became concerned. Rumours circulated that Dermata might soon lay off Hungarian employees or impose Romanian language exams as a prerequisite for employment. In an interview with the Hungarian-language newspaper *Ellenzék*, Mózes Farkas publicly denied any such discriminatory practices, affirming his inclusive hiring principles. He emphasised that political meddling should not impede industrial activity, asserting, "Leather and shoes are manufactured between the walls of our factory, not politics".¹⁶

The shareholder register from April 6, 1940, reveals 160,000 shares in circulation, with Mózes Farkas holding 26,647 (16.65%), József Farkas 21,037 (13.14%), Frigyes Renner 6,162 (3.85%), and Emil Renner 5,076 (3.17%). Internal corporate conflict emerged that year when Mihály Dávid, former director of the Raw Leather Center (ODAMP) and ex-Dermata official, filed a multi-million-lei lawsuit against the company, claiming wrongful dismissal. The case remained unresolved due to the Second Vienna Award (August 1940), which returned Northern Transylvania to Hungary. Romanian judicial proceedings were suspended or abandoned.

Dr Mózes Farkas died on August 17, 1941, in Budapest. His funeral in Cluj was attended by industrialists, public figures, factory representatives, and employees, underscoring his social and economic influence. He was interred in the Orthodox Jewish Cemetery on Tordai Street. His formal removal from the trade register occurred on November 15, 1941. In October 1944, the city of Cluj came under the control of the Soviet Red Army as part of the broader military operations in Eastern and Central Europe during the final phase of the Second World War. Subsequently, in March 1945, the Romanian state re-established administrative authority over Northern Transylvania (following its temporary reintegration into Hungary after the Second Vienna Award in 1940). These events marked the beginning of a radical political transformation. The ascent

16 *Világosság a Dermata üzemialkalmazottak helyzetében*, 1934, p. 3.

of the Romanian Communist Party, facilitated by Soviet military presence and political pressure, was already underway, foreshadowing the dismantling of liberal-democratic institutions and the establishment of a Soviet-style totalitarian regime.¹⁷

By October 1947, a confidential list of shareholders looking to sell their holdings included Frigyes and Emil Renner. At that time, the Soviet Union had acquired 980 shares (0.61%) as part of war reparations (taken over from German shareholders). Mózes Farkas's children retained shares, though only his niece, Magda, held a board position. Magda's fate captures the human cost of the postwar political transition. Married to Communist official Sándor Jakab (Alexandru Iacob), a deputy finance minister, she was arrested together with her husband during a wave of purges. She suffered psychological collapse and was later institutionalised in Israel, rescued only through the intervention of her Paris-based sister.

In 1948, the company became nationalised under Act No. 119/1948, following the enactment of Romania's first Soviet-style constitution. This marked a definitive shift in societal organisation: the law authorised the expropriation of productive assets without compensation. Article 11 of the new constitution omitted any requirement for "just compensation" in case of nationalisation, unlike Article 10, which governed expropriation for public utility. The ideological foundation of nationalisation was rooted in the Marxist objective of eradicating private ownership and the so-called "exploiting classes". Compensation would preserve the exploiters as a social class, so it was not conceivable. Nationalisation was not a legal transfer via contract, nor did it preserve corporate continuity. Rather, nationalisation – a unilateral act of state power – severed corporate legal personality, dissolved shareholder rights, and transformed the enterprise into a centralised, *sui generis* state structure (a Soviet-type state-owned enterprise).

Dermata was absurdly categorised under Annex 18 of the nationalisation law as a chemical enterprise, an emblematic distortion reflective of the regime's bureaucratic opacity. In this wave of nationalisation, altogether, 8,894 companies were acquired by the state, with 3,600 of

17 Lewis, 1994, pp. 49–75.

local interest. Dermata was a nationally significant company. The legacy of the founding Renner, Farkas and Hecht families, coupled with decades of entrepreneurial development, was expunged from the official narrative. The enterprise survived and even developed, but not as the company it once was. It was now merely a production unit in the command economy of a totalitarian state.¹⁸

Following the dissolution of the communist system in 1989, the former Dermata factory, named Clujana, became embroiled in the tumultuous wave of privatizations that transformed Romania's economy. The substantial real estate assets, essential to its operations, were progressively diminished, divested in fragments and transferred under dubious conditions: a clear case of asset depletion. In the subsequent years, the remnants of the company experienced intermittent periods of local governmental ownership. Numerous attempts were undertaken to restore production or repurpose the remaining assets; however, these projects were ultimately disjointed and ephemeral. In 2022, the factory was officially subjected to liquidation, terminating its corporate existence. But now we should focus on 1926 and on a truly interesting piece of contract related to the corporate governance of this corporation.

3. THE SHAREHOLDERS' AGREEMENT OF 1926

3.1. CONTEXT

The founding and evolution of the Renner Brothers & Co. Leather Factory Joint-Stock Company, later known as Dermata, offer a particularly instructive example of early 20th-century industrial enterprise in East-Central Europe structured on multi-family ownership. From its inception, the company was not the creation of a single capitalist actor but rather the product of collaboration between several families of distinct ethnic, religious, and professional backgrounds: the German-origin

18 For details on nationalisation, see Katzarov, 1964; Veress, 2014, pp. 185–201; Veress, 2022b, pp. 241–269.

Renner family of artisan tanners; the Hungarian-Jewish Farkas family, which brought legal and commercial acumen; and the Hecht family, likewise of Jewish descent, which played an essential financial role. Each family held a significant block of shares and was involved in both strategic decision-making and day-to-day management.

This pluralism, what might be called a *multi-family corporate architecture*, was a source of both strength and internal complexity. Maintaining cohesion among investors with diverse interests, histories, and strategic objectives was challenging; yet, the company reaped advantages from a broad spectrum of abilities, social capital, and risk tolerance. During the interwar period, the firm expanded rapidly in both physical infrastructure and market presence. As it progressed, its ownership structure grew increasingly ambiguous. By the mid-1920s, shares had been issued and transferred far beyond the circle of founding families. While the Renners, Farkas, and Hecht families remained important, their combined voting power was no longer sufficient to unilaterally control the decisions of the general assembly of shareholders.

It is in this context that one of the most fascinating documents in the company's archival holdings must be situated: a private shareholders' agreement concluded in 1926 between members of the founding families. Known under the Hungarian (and also Austrian) legal terminology as a "*szindikátusi szerződés*" (Syndikatsvertrag, "syndicate agreement"), this contract reveals how key shareholders sought to retain collective control in the face of ownership dilution. The discovery of this document in the Romanian historical archives is of considerable significance, first as a rare artefact of legal history and second as a window into the private ordering mechanisms used by early 20th-century business elites to consolidate authority within an increasingly fragmented shareholder structure. Moreover, Dr Mózes Farkas – a practising attorney as well as the corporation's general director – was plausibly the contract author.

In modern corporate law, shareholder agreements are binding private contracts that complement or modify public governance rules from a company's articles of association or national laws. They remain widely used today to align voting behaviours, prevent hostile takeovers,

regulate share transfers, and establish governance mechanisms.¹⁹ In Hungarian and Austrian legal practice, from which much of Transylvania's legal infrastructure derived during the interwar period, the term "syndicate agreement" referred to precisely this type of private arrangement. Such agreements were typically informal, confidential, often secret,²⁰ and enforceable only among signatories.²¹ Their legal validity rested not on corporate law but on the principles of the general law of obligations.

The 1926 syndicate agreement of the Renner Leather Factory can be viewed as a textbook example of such a coordination device. It was signed by six individuals: Dr Mózes Farkas, József Farkas, Jenő Farkas (representing the Farkas family), Dezső Hecht (of the Hecht family), and Frigyes and Emil Renner (founder Johann Renner's sons). Collectively, these signatories controlled a substantial portion of the company's shares. However, as they no longer held an outright majority, they sought to reassert their influence through unified voting and coordinated shareholder behaviour.

An in-depth analysis of the 1926 syndicate agreement among the Farkas, Renner, and Hecht families uncovers significantly more than only an internal coordination system among the original stockholders. This document, retained in the archives of the Renner Leather Factory (subsequently Dermata, Herbák, and Clujana), enables the reconstruction of a governance framework established through intersecting contractual agreements among different groups of shareholders. What seems to

19 As it was stated, "[t]hese agreements enjoy extensive use all over the world, as they assist shareholders more clearly to regulate their relationships with each other. The most common agreements cover voting rights, transfer restrictions, and exit rights, as well as the composition or remuneration of management or supervisory boards. Conceptually, they are separate contractual agreements between all or some of the shareholders that operate alongside the articles of association, as the Italian term 'patti parasociali' and the Spanish term 'pactos parasociales' suggest". See Fleischer, 2018, 690–691.

20 "In most jurisdictions, the existence and the content of shareholder agreements remain hidden from the curious gaze of outsiders." *Ibid.*, p. 691.

21 "As a classical contract, it can only bind its immediate parties; in contrast to the articles of association, it can only be altered with the consent of all parties". See *Ibid.*, p. 691.

be a singular private agreement implies the existence of at least two concurrent contracts and strongly indicates the presence of a third, thereby establishing a network of shareholder coordination that regulated the company during ownership dispersion. The preamble of the 1926 accord is notably earnest in this respect. The agreement specifically indicates that the contractual parties, collectively referred to as the Farkas Group, along with the Boros Group, represented by Gyula Boros of Vienna, possessed a shared majority of shares in the corporation. Importantly, it additionally states that “to ensure cohesive governance of company matters, the two groups have established a syndicate agreement, which will remain effective in the future”.

This wording provides a key indication: alongside the current intra-group contract among Farkas-aligned shareholders, there must have been (1) a distinct internal agreement regulating the Boros Group and (2) a tertiary inter-group syndicate agreement between the two factions, affirming overlapping syndicate agreements and a multi-block shareholder framework. While these supplementary agreements have not yet been retrieved, the 1926 document under examination serves as indirect evidence of their existence and importance. It provides a rare insight into how shareholders of a significant East-Central European industrial firm structured themselves into formally distinct yet strategically interdependent coalitions, each regulated by its own internal voting protocols and disciplinary mechanisms, while concurrently participating in cross-group contractual coordination to secure a majority stance in the company’s general assembly. This legal framework demonstrates a privately negotiated governance arrangement that both mirrored and enhanced traditional corporate entities. The Farkas and Boros groups operated as independent, internally consistent “political” entities inside the larger shareholder community. These groups were not merely transient coalitions. They possessed a legal (contractual) form and internal structure, while they were regulated by enforceable private contracts that dictated voting behaviour, fiduciary duties, penalties for disloyalty, and succession planning in cases of death or incapacity.

Shareholder considerations compelled these nominally independent groups to function with limited cooperation. Neither side held an autonomous majority of votes. Collective action was the sole means

by which they could influence the company's decisions at the general meeting. This required strategic collaboration alongside the intrinsic struggle for influence and future dominance. The Farkas Group's agreement implicitly acknowledges this fragile alliance: it mandates its members to adhere to a unified voting strategy both internally and in collaboration with the Boros Group (while simultaneously preserving the right to act independently if the inter-group agreement is violated or deemed void).

The resultant governance model can be defined as regulated cooperation among rival syndicates. The two sides were necessitated to engage in limited coalition-building to maintain control over essential decisions, including board appointments, dividend policy, and strategic acquisitions, but none was subordinate to the other. The language of the Farkas syndicate agreement suggests a pragmatic, commercial partnership rather than a deeply interwoven relationship. No evidence indicates a formal amalgamation of interests or any lasting consolidation of shares beyond what was needed to maintain a voting majority. Their joint dominance was pragmatic rather than ideological.

The lack of the Boros Group's internal agreement and the intergroup contract between the Farkas and Boros syndicates constrains our capacity to fully reconstruct the extent of strategic cooperation. Nonetheless, this omission emphasises the significance of the 1926 Farkas accord as a significant source. The clauses govern internal group discipline and establish the group's stance towards external allies and prospective adversaries. This agreement illustrates that business power in interwar Cluj was not exclusively wielded through shares or formal positions but rather through intricate private legal frameworks established inside and among privileged families.

The 1926 agreement, alongside its technological features, represents a comprehensive framework of interwar industrial governance, marked by a combination of contract, family, and company law, with control implemented through both informal methods and formal legislation. In this legal-cultural context, power originated not just from boardrooms and share registries but also from private agreements, familial gatherings, and enforceable yet undisclosed contracts.

It is essential to contextualise these arrangements within their geopolitical context. In 1926, Transylvania underwent a phase of consolidation within Greater Romania following the Treaty of Trianon. Political instability, evolving regulatory frameworks, and the necessity to re-establish economic credibility within a new national context may have intensified the demand for private shareholder collaboration. As external hazards escalate, internal cohesion has transformed into both a corporate necessity and a survival tactic.

The syndicate agreement concluded in 1926 is remarkable also for its linguistic and legal context. Strikingly, despite the *de facto* incorporation of Transylvania into Romania in 1918 and its formal annexation in 1920 under the Treaty of Trianon, the agreement was still drafted in Hungarian, six and eight years after those respective milestones. This language selection highlights the enduring pre-union cultural and professional practices within the Transylvanian bourgeoisie, especially within Hungarian-speaking elites. Moreover, it underscores the persistent implementation of Hungarian private law in the area. The legal regime governing this contract remained the Hungarian Act on Commerce No. XXXVII of 1875 (the Hungarian “Commercial Code”), which regulated joint-stock companies and was after 1918 locally referred to (somewhat fictionally) as the “Transylvanian Commercial Code” (*Codul Comercial din Transilvania* in Romanian). No such code was formally adopted under that name, as Transylvania had been part of the Kingdom of Hungary within the Austro-Hungarian Empire when the law was promulgated. The code’s uninterrupted use until its repeal during the World War II attests to the resilience of private legal frameworks amid broader political realignments.

3.2. DURATION

Article 11 sets the start and end dates for the syndicate agreement as January 1, 1927, to December 31, 1932, providing the agreement a clear time frame and showing the contractual theory behind it. This kind of fixed-term validity clause is necessary in business contracts like this one because it combines the requirement for predictable governance

and coordinated control with the parties' right to change their strategic alignments over time.

A five-year period is lengthy enough to keep things going, make decisions easier for the shareholders, and stop anyone from taking advantage of the situation, but it is still limited and may be reviewed. Choosing a well-specified term instead of an indeterminate one or one that is tied to events that may or may not happen (i.e. the life of a shareholder or the length of their shareholding) reveals that you are thinking logically about how to coordinate shareholders. The agreement indicates that the parties involved believe its significance may diminish over time due to potential changes in business and family dynamics within the firm. If this occurs, the deal may be revisited or renegotiated.

The time limit is important because it protects the agreement from legal challenges that could happen if there were rules against long-term control arrangements. Fixed-term contracts are generally regarded as legal (under both commercial and civil law), respecting the idea of freedom of contract while maintaining market flexibility or enabling businesses' adjustments.

The selected period corresponds to a time of significant political and economic instability in East-Central Europe. The parties may have been seeking to gain greater control in the company by setting a term that lasted until the early 1930s, when the market and the law were changing. This condition also served a strategic purpose: it maintained the group's stability while allowing them change their minds or terminate the arrangement after five years. The fixed-term duration clause is a clever legal design that offers the syndicate a certain stability²² and a built-in period for re-evaluating.

3.3. DEPOSIT OF THE BEARER SHARES

One particularly important feature of the Renner Leather Factory's corporate structure was its decision to issue bearer shares (*au porteur*,

22 "Family shareholding groups [...] are likely to see value in stability, particularly if their planning horizon is multi- generational". See Gordon, 2018, pp. 33, 54.

Inhaberaktien, bemutatóra szóló részvények, acțiuni la purtător). Unlike registered shares, which are issued in the name of a specific shareholder and entered into a share register, bearer shares confer ownership upon whoever physically holds the share certificate. As such, bearer shares are transferable by mere delivery, without the need for registration, notarisation, or board approval. This mechanism was entirely lawful and common under Hungarian commercial law (based on the 1875 Commercial Act), which permitted joint-stock companies to issue bearer shares under certain conditions.

The legal and strategic implications of issuing bearer shares were substantial. On the one hand, bearer shares facilitated liquidity and ease of transfer, making it easier for shareholders to sell or pass on their shares without regulatory friction, which could attract investors and enhance market flexibility. On the other hand, bearer shares exhibit limited transparency and traceability due to the lack of a full shareholder register maintained by the company for bearer instruments. Hence, it becomes challenging to ascertain the identity of individuals holding specific equity portions at any given time, leading to major consequences.

In the specific case of the Renner Leather Factory, the use of bearer shares meant that the ownership structure was, at least in formal legal terms, opaque and fluid. The company could only determine its shareholder base indirectly, based on who presented bearer certificates before the general meeting to exercise voting rights. The issuance of bearer shares amplified the importance of private ordering mechanisms in preserving control. Since shares could circulate without record, the founding families had to rely on extra-statutory contractual tools (e.g. depositing shares with a trustee, in this context, Dr Mózes Farkas) or pre-agreeing on voting behaviour to avoid fragmentation or capture by outside interests. The risk of unwelcome accumulations of voting power through silent acquisitions was ever-present, especially given the growing dispersion of ownership by the mid-1920s.

The Renner Leather Factory's issuance of bearer shares increased flexibility and anonymity but concurrently weakened internal corporate transparency and rendered the company more dependent on private, non-public governance structures to ensure control and coordination

among shareholders. The bearer share system thus helps explain why the founding families took elaborate measures to construct binding syndicate agreements and safeguard long-term strategic cohesion.

The 1926 agreement of Article 1 stated that the parties to this agreement hold the following quantities of shares in Renner Brothers & Co. Leather Factory Joint-Stock Company (hereinafter referred to as Renner Leather Factory):

- Dr Mózes Farkas: 30,464 shares
- József Farkas: 27,531 shares
- Jenő Farkas: 7,031 shares
- Dezső Hecht: 27,531 shares
- Frigyes Renner: 27,650 shares
- Emil Renner: 27,650 shares

All the members domiciled in Cluj, and we can see that this group is formed practically by the founders of the company. This article served not only as a disclosure of holdings, a recordkeeping measure, but also as an inventory of power, the basis for enforceable obligations under the syndicate agreement (voting coordination, penalties for breach, pledge arrangements). These figures set the baseline for fiduciary expectations and rights within the private governance framework. In a context where bearer shares obscured ownership transparency and allowed for fluid market circulation, this declaration was essential for maintaining the group's authority, internal discipline, and coordinated control.

This inventory must be read in close connection with article 2:

The members of the Farkas Group shall place all of the above-mentioned shares they own on deposit with Dr Mózes Farkas. These shares may only be disposed of in accordance with the modalities set forth in this agreement. They may not be alienated, pledged, or encumbered in favour of third parties. Dr Mózes Farkas shall hold the deposited shares in the safe of the Renner Leather Factory.

The clause in question established a specific contractual deposit arrangement,²³ sometimes referred to in legal terms as escrow. The members of the Farkas Group committed to physically placing all of their shares (specifically bearer shares) in the custody of Dr Mózes Farkas. These share certificates, which conferred both ownership and voting rights through possession, were held by him in a secure location: the Renner Leather Factory's company safe. This arrangement was not just symbolic but, as we will see, functioned as a binding intra-group restriction with significant legal and strategic consequences.

The deposit created a functional equivalent of a private law encumbrance. While the shares remained legally owned by the individual shareholders, their control and use were collectively regulated. According to the text, the shares could only be disposed of in accordance with the modalities set forth in the agreement. No shareholder was entitled to sell, transfer, pledge, or otherwise encumber their shares for the benefit of third parties. These covenants introduced a negative obligation that limited the freedom of alienation, without, however, affecting the rights *in rem* of bona fide third-party acquirers of bearer shares. The enforceability of these restrictions rested entirely within the internal sphere of the syndicate agreement and was supported by penalty clauses found in later provisions.

The deposit itself served as a material guarantee to prevent unlawful or unilateral alienation of the shares. By requiring all members of the Farkas Group to place their bearer shares in the custody of Dr Mózes Farkas, the agreement effectively eliminated their immediate power of disposal, not just contractually, but physically. Since bearer shares confer ownership and voting rights solely by possession, relinquishing possession meant renouncing the capacity to exercise those rights independently. This provision transformed the deposit into a preventive device: as long as the certificates were locked in the company's safe under Dr Farkas's control, no group member could bypass the syndicate's collective decision-making structure. It ensured that no share could be transferred, pledged, or even shown to a third party for the

23 The depositary "kept the object not for his own but for the depositor's benefit". Zimmermann, 1996, p. 205.

purpose of securing rights or credit without the express, coordinated approval of the group under the terms of the agreement. The deposit was designed to guarantee internal loyalty, voting discipline, and long-term strategic cohesion.

Dr Mózes Farkas, as depositary and group leader, occupied a double role. First, he served as custodian of shares and, second, as the primary agent of enforcement. His possession of the bearer shares, combined with (as we will see later) the authority granted to him by the group to act on their behalf in shareholder meetings, ensured that internal discipline could be maintained.

The fact that the shares were to be held in the factory's own safe rather than in a bank or notary office added to the private and internalised nature of the arrangement. It localised control within the company's physical and symbolic space, reinforcing the group's autonomy or secrecy from external oversight.

Article 11 of the 1926 syndicate agreement played a conjunct and vital role in the functional operation of the deposit mechanism. According to this text, "upon termination of this agreement, the group leader shall return the deposited shares to each member, provided that no claims are outstanding against that member by the Renner Leather Factory or the group". First, this provision clarified the conditional nature of share restitution. The obligation of the group leader (Dr Mózes Farkas) to return the deposited shares was not absolute or assured. Rather, it was contingent upon the absence of any outstanding claims, either from the company (Renner Leather Factory) or from the shareholder group collectively against the individual member seeking restitution. The clause effectively transformed the deposit into a type of security interest, but it remained internal to the group and was founded on contractual rather than statutory rights. This signified that shareholders' rights to recover their property were subordinate to their duties to the collective or the corporation. This clause created a strong incentive to meet syndicate obligations, whether related to financial duties (such as outstanding payments) or procedural issues (like compliance with the agreement), to prevent the possible retention of their shares. Consequently, Article 11 served both as a contractual directive governing deposits and a retention mechanism, acting as a unique private enforcement instrument

that obviated the need for judicial intervention or formal enforcement measures.

Second, the clause reinforced the central authority of the group leader, who not only held the shares in deposit but also acted as gate-keeper to their return. This asymmetric power structure suggests a significant degree of internal hierarchy, despite the otherwise horizontal nature of shareholder or, in general, contractual relations. The leader's role was not purely representative but quasi-administrative and, to a degree, discretionary, especially in interpreting whether an "outstanding claim" existed.

Third, from a corporate governance perspective, the clause illustrated the group's intent to regulate exit in an orderly and enforceable manner. In a context where bearer shares could otherwise be anonymously transferred or sold, the retention of physical possession by the group leader and the conditioning of return upon internal clearance created a *de facto* restriction on alienation, even without creating a formal encumbrance *in rem*. This was essential to prevent destabilising departures or hostile transfers.

Finally, Article 11 must be read in conjunction with Article 2 (the establishment of the deposit) and Article 10 (establishing the deposit as a form of hand-pledge, to secure obligations, as it will be discussed below). Collectively, these provisions form a coherent system of private corporate discipline, substituting for more formalised legal or institutional safeguards that may have been absent or ineffective in a family-dominated, early-20th-century joint-stock company.

3.4. TRANSFER OF SHARES

According to Article 3, "the members of the group may sell their shares, in whole or in part, to each other". A careful legal analysis in conjunction with Article 2 strongly supports a *per a contrario* interpretation that transfers of shares outside the group were implicitly prohibited during

the term of the agreement.²⁴ While Article 3 affirms the permissibility of intra-group transfers, it does so in a narrowly formulated positive clause, granting members the right to alienate shares only to one another. In interpretation, such a provision often functions not just as an enabling clause but also as a delimiting clause, especially when read alongside Article 2.

The alienation, pledging, or encumbrance of the deposited shares was already completely prohibited under Article 2, with the exception of the modalities outlined in the agreement. Since the only express alienation modality provided was that of internal transfer among group members (Article 3), no other type of transfer would have been permitted without breaching the contract.

In consequence, the structure of the contract supported a closed-shareholding system within the syndicate. The shares were effectively locked in, and any exit was possible only by sale to another insider, thus preserving the integrity and coherence of the group's control over voting rights (voting power) and strategic direction. This logic is reinforced by the broader purpose of the agreement, which was to coordinate shareholder behaviour and consolidate control over the Renner Leather Factory. Allowing external parties, especially non-syndicate shareholders or hostile interests, to acquire shares would have defeated the agreement's purpose.

Given the fact that these were bearer shares, which were legally transferable by simple delivery, this internal contractual framework was the only barrier to free circulation. The deposit arrangement (Article 2) temporally neutralised the bearer nature of the shares by removing them from the actual possession of shareholders and assigning exclusive custodianship to the group leader, Dr Mózes Farkas. Thus, even if bearer shares in principle enjoyed unrestricted transferability, the contractual deposit mechanism rendered that freedom inoperative.

24 As it was stated, "restrictions on share transferability come in different shapes and forms. Despite their great variety, one can discern a certain standardisation around the world. The most common take the form of inalienability clauses, consent clauses, pre-emptive rights, and buy-sell agreements". See Fleischer, 2018, p. 697.

3.5. FUNCTIONING OF THE “SYNDICATE”

Article 5 outlines extensive regulations for the operation of this informal but structured framework:

In all matters which, under applicable law, company bylaws, or contracts concluded with other shareholder groups, fall within the competence of the general meeting, the board of directors, the executive committee, or the management committee, the members of the group shall first deliberate in an internal meeting. Resolutions shall be passed by majority vote. Each member shall have as many votes as the number of shares they hold.

No formal requirements shall apply to the convocation of group meetings.

The parties agree that all decisions – including those matters listed in Article 7 of the syndicate agreement concluded with the Boros Group – shall be made by majority vote, unless a unanimous decision is reached.

Each member of the group or the group’s designated representative shall be bound to act and vote in accordance with the group’s resolutions at all meetings of joint committees formed with other shareholder groups. Similarly, all members are obliged to vote in accordance with group decisions at general meetings and board meetings of the joint-stock company, provided such decisions do not conflict with agreements subsequently concluded with other shareholder groups.

Evidently, the 1926 syndicate agreement’s Article 5 provides a rich and detailed legal design demonstrating how an informal, contractually constituted shareholder group (here, the so-called Farkas Group) translated private coordination into collective corporate governance influence. The clause captures several core legal mechanisms, all of which reveal the sophistication of shareholder arrangements in the inter-war period, particularly in closely held, family-dominated joint-stock companies.

The first sentence of Article 5 establishes a clear procedural rule. Before any corporate body (e.g. general meeting, board of directors, executive committee, or management committee) takes action on a matter, the Farkas Group must first convene internally and deliberate. This effectively inserted a pre-decision layer of internal filtering, transforming what would normally be a statutory public corporate decision into the outcome of a prior, private negotiation among syndicate members. This anticipatory mechanism can be compared to modern voting trusts,²⁵ with the difference that it seems the Farkas Group operated through prior collective deliberation rather than delegation of decision to a trustee. It ensured that the group, acting as a block, presented a united position in all formal decision-making forums, thus maximising its influence.

Such a contractual provision confirmed that internal decisions were to be taken by majority vote, with voting rights proportional to the number of shares held. This reinforces the view that the Farkas Group operated not as a simple partnership of equals, but much more as a quasi-parliamentary structure, where economic stakes translated directly into political weight.

25 A voting trust is a legal way for shareholders to combine their power by giving a trustee the formal ownership and voting rights of their shares for a set length of time. In exchange, they obtain trust certificates that show they have a beneficial interest. The trustee temporarily holds the legal ownership to the shares, but the original shareholders still have the economic rights to them. Depending on the conditions of the trust, the trustee may have to vote the shares according to instructions that were agreed upon ahead of time or use their own judgement in the best interests of the group. See for example, Cushing, 1915, p. 2.

Table 1. Shareholders in the syndicate agreement²⁶

Shareholder	Number of Shares	Family/Group Affiliation
Dr Mózes Farkas	30,464	Farkas family (legal/managerial leadership)
József Farkas	27,531	Farkas family (commercial/shoemaking branch)
Jenő Farkas	7,031	Farkas family (minor stake)
Dezső Hecht	27,531	Hecht family (financial/strategic partner)
Frigyes Renner	27,650	Renner family (founder's son, technical background)
Emil Renner	27,650	Renner family (founder's son, technical background)

If we make a simple calculation, the power-relations are the following:

Table 2. Voting power in the syndicate²⁷

Farkas family (combined)	Hecht family (Dezső Hecht)	Renner family (Frigyes + Emil)	Total shares declared in agreement
30,464 + 27,531 + 7,031 = 65,026 shares	27,531 shares	27,650 + 27,650 = 55,300 shares	147,857 shares
→ 44.0% of total shares in syndicate	→ 18.6% of total shares in syndicate	→ 37.4% of total shares in syndicate	100%

This proportionality is especially important in light of the specific shareholding distribution detailed in Article 1: Dr Mózes Farkas held the largest single share block (30,464 shares), giving him structural dominance even within the group, unless coalitions formed against him. This likely gave him not just the leadership by designation (see Article 6) but also a functional veto power in many decisions, depending on attendance and alignment.

The clause stating that “no formal requirements shall apply to the convocation of group meetings” implies a high degree of internal flexibility. This informality likely reflects, first, the trust-based relations typical of multi-family or kinship-based capitalism, in which formal procedures were less necessary, and second, speed and agility, since binding internal decisions could be reached without waiting periods,

²⁶ Author's own work based on the syndicate agreement.

²⁷ Author's own work based on the syndicate agreement.

formal notices, or minutes (unlike corporate law procedures applicable to general meetings or board sessions).

In legal terms, this granted the group a “contractual shadow governance structure”, one that operated parallel to and beneath the formal organs of the joint-stock company, probably akin to that of the Boros group.

One of the most significant aspects of Article 5 is the obligation imposed on all group members to vote in accordance with the group’s internal decisions at all levels of the company’s governance structure.²⁸ This mandatory voting discipline extended to joint committees created with other shareholder blocs (i.e. the Boros Group), general meetings, and board of directors’ sessions. Legally, this transforms what is often perceived as discretionary shareholder or director authority into a duty-bound mandate. That is, members no longer acted independently, even when occupying corporate organs that would normally imply personal fiduciary duties. Instead, their corporate role was contractually subordinated to the will of the group, as determined by majority vote. This would raise interesting legal tensions in any jurisdiction: what happens when a director’s fiduciary duty to the company²⁹ conflicts with the obligation to follow a private syndicate decision? The 1926 agreement

28 As it was stated, “the shareholder robustness allows to guarantee stability in the company, an element of fundamental importance contributing to the competitive advantage. The solidity of the property must be maintained also with the increase in the number of shareholders. The property must be united ‘as one man’; this allows the speed of decision-making and the long-term vision that are the strength of companies owned by families”. See Bertoldi, 2021, p. 91.

29 “The fiduciary or loyalty duty [...] is based on the requirement that members of the management body must subordinate their private interests to those of the business and may not use their management position to their own benefit. This also includes the duty to keep information and secrets of the company confidential [...]. In particular, the duty of loyalty includes a prohibition of competition [...]. Based on this prohibition, during their term of office, and in some circumstances for subsequent periods, the members of the management body may not engage in any trade or enter into any dealings in the same business as the company either for their own account or on account of a third party. Furthermore, a manager of a private limited company also breaches the duty of loyalty if he personally exploits business opportunities to which the company is entitled (business opportunity doctrine)”. See Roth and Kindler, 2013, pp. 100–101.

seems to side clearly with syndicate discipline, a reflection of the fact that directors were often also major shareholders and that corporate governance was still deeply personalised. Anyway, the voting rules can be read only in close connection with Article 7, which is analysed in the following subsection of the present text.

The concluding clause of Article 5 enacted a limiting safeguard: members are only obliged to follow group decisions to the extent that those decisions do not conflict with later agreements concluded with other shareholder groups. This is a flexible conflict-of-norms provision, which recognizes that shareholders may be bound by multiple overlapping agreements (e.g. the Farkas-Boros syndicate) and that later contracts may supersede prior ones in case of inconsistency. This provision functioned as a temporal hierarchy of norms: if the Farkas Group reached a new understanding with another bloc (such as Boros), then any internal majority decision could not override that external, bilateral pact. This signaled that while internal group cohesion was critical, external coordination was no less important.

Article 5 provides a captivating example of how private law mechanisms (especially shareholders' agreements or occasionally the so-called family "constitutions"³⁰) can construct a functional governance apparatus alongside and within the formal corporate structure. It blurred the boundary between public corporate decision-making and private contractual consensus, replacing statutory checks with voluntary, enforceable self-regulation. Article 5 demonstrated that in the interwar period (well before modern corporate governance theory matured), business and legal elites were already using refined private ordering techniques for ownership stability, coordinated strategy, and management of multi-family control in complex joint-stock environments.

30 For the possible criteria for delimitation between shareholders' agreements and family "constitutions", see Ilyés, 2023, pp. 57–71.

3.6. THE ROLE OF THE GROUP LEADER

Articles 6 and 7 of the 1926 syndicate agreement established a centralised leadership structure for the Farkas Group, grounded in both agency law and collective shareholder coordination mechanisms. These provisions are significant because they formalised a single-point representation model, vesting Dr Mózes Farkas with both internal authority and external agency, while introducing limited checks on that authority.

Article 6 designated Dr Mózes Farkas as both the group leader (vezető) and its authorised representative (meghatalmazott) vis-à-vis third parties and other shareholder blocs:

Dr Mózes Farkas shall act as the leader and authorised representative of the Farkas Group. He shall conduct the group's affairs and represent it in relation to third parties and other shareholder groups. His mandate shall last for the duration of this agreement.

This clause effectively institutionalised his leadership beyond informal influence, granting it formal legal recognition for the entire duration of the syndicate agreement (1927–1932). Made Dr Farkas the sole point of contact for dealings with external actors, including other syndicates (like the Boros Group), company management, or external stakeholders. In general, the acceptance of such contractual terms by the other signatories also attests to confidence vested in him and perhaps his efficiency in promoting shareholder interest. From a legal perspective, this created a durable agency relationship that bound the entire group. Unlike typically revocable-at-will private mandates,³¹ this mandate was

31 As a general principle, the Austrian General Civil Code (Allgemeines bürgerliches Gesetzbuch, ABGB), which remained in force in Transylvania until the 1940s, provided in §§ 1020 and 1021 that a mandate could be unilaterally and freely terminated at any time, either by the principal or the agent. The ABGB was applied in Transylvania since 1853. The unilateral terminability of the mandate contract is grounded in its foundational reliance on personal trust. As Zimmermann observes, such agreements are “based on personal confidence”; consequently, once that confidence is lost, the legal relationship can no longer be sustained. Zimmermann, 1996, p. 424.

contractually locked in for the term of the agreement³² unless specific exceptional conditions were met (see art. 7). This structure reinforced group unity and strategic clarity, as no ambiguity could arise about who represented the group or exercised its will. At the same time, it entrenched Dr. Farkas's power, especially given his already dominant shareholding and the role he played as custodian of the deposited bearer shares (see art. 2).

Article 7 is even more relevant from this perspective because it gave Dr Farkas collective voting authorisation:

To ensure consistent and effective representation, the members hereby authorise Dr Mózes Farkas to exercise, in their names and on their behalf, all voting rights attached to their shares at general meetings of the joint-stock company for the duration of this agreement. This mandate may be revoked only jointly by the group, and only if Dr Mózes Farkas exercises voting rights in contradiction to a decision of the group.

Article 7 is significant because it consolidates voting authority for the entire group into the hands of a single individual, Dr Farkas.³³ The members explicitly granted him the authority to exercise all voting rights tied to their shares, in their names and on their behalf, for the duration of the agreement.³⁴ This amounted to a general voting proxy, but with very specific features. First, irrevocability by individual members: no single member could withdraw the mandate unilaterally. Second, conditional revocability by the group: the mandate could only be revoked collectively and only if Dr Farkas acted contrary to a decision of the group. This created a strong presumption of loyalty and discipline within the group and a powerful enforcement mechanism for ensuring that the

32 It was stated that “generally, a proxy is revocable unless it is coupled with an interest.” See Steinberg, 2018, p. 10.

33 The mandate itself is a guarantee that the voting agreement will not be infringed. The shareholders giving the mandate will not participate at the general meeting, or they will have a passive presence, and they cannot exercise their voting rights differently as agreed by the group.

34 This is more than a block of voting power (Steinberg, 2018, 253); this is a concentration of votes in one person.

group's internal decisions (see art. 5) were mirrored in the public fora of the company. The requirement of group-level consensus for revocation served a dual purpose. In one sense, it protected the continuity of leadership, shielding Dr Farkas from internal political shifts or isolated opposition. In another sense, it discouraged factionalism, forcing any challenge to leadership to be collective and based on a breach of agreed procedure (namely, acting against a group decision). Legally, this went beyond typical proxy voting mechanisms. It created a hybrid regime of representation and internal governance, where agency was granted as a mechanism of strategic governance consolidation. As a result, if Dr. Mózes Farkas violated the shareholders' group's voting structure, he would still be considered a group representative if any member of the group supported him.

Together, Articles 6 and 7 reflected an advanced understanding of shareholder syndicate dynamics and the need for institutionalised leadership in complex ownership structures. They also reveal how interwar shareholder blocs prefigured modern tools of corporate control, voting pools,³⁵ and coordinated governance. The single-representative model enhanced the group's bargaining position within the company and in negotiations with rival blocs. The conditional mandate framework balanced effective representation with minimal safeguards in case of breach of group will.³⁶

3.7. SUCCESSION PLANNING

According to article 4 of the agreement, “in the event that any member of the group passed away, became incapacitated, or left the service of the Renner Leather Factory, this syndicate agreement remained binding upon such member or their legal successors for a period of one year.

35 “A voting coalition or voting pool consists of several shareholders joining forces and agreeing to vote in the same way.” See Goergen, 2012, p. 48.

36 According to Article 8, “in the event of Dr Mózes Farkas's death or incapacitation, the group shall appoint a new representative. Until such appointment, the group shall be represented by its members in the following order: ...” Note: This section remained unfilled in the original archived document.

Upon the expiration of that term, such member or successor regained full rights of disposition over their shares.” Of course, “a smooth inter-generational succession is in the best interests of the company”.³⁷

Article 4 of the 1926 syndicate agreement reflected a moderately restrictive yet ultimately liberal contractual approach³⁸ to shareholder obligations in the context of death, incapacity, or exit from company service. This clause stipulated that in three specific events, namely death, incapacity, or termination of employment with the company, the agreement remained binding for one year on the affected shareholder or their legal successors (e.g. heirs or legal guardians). After that one-year period, the shares were liberated from the contractual restrictions imposed by the syndicate agreement, and the holder regained full freedom to dispose of them.

This provision functioned as a temporary survival clause, ensuring that the syndicate agreement’s strategic coherence was not immediately undermined by unforeseeable life events. The provision struck a compromise between contractual continuity and personal autonomy or testamentary freedom by putting in place a constraint that only lasted for a short time. This clause essentially established a provisional encumbrance on share ownership that was binding *inter partes* – meaning between the participants in the arrangement and their heirs. The condition restricted the shareholder’s decision-making autonomy and disposal rights concerning the syndicate for one year following a qualifying event.

It avoided imposing a permanent lock-in, which could have resulted in a rigid and potentially contested limitation on successors’ rights. In doing so, it adhered to private autonomy principles while safeguarding group interests during a transition phase. Under classic corporate and civil law principles (both in the Hungarian commercial tradition and more broadly), agreements that permanently restrained the alienation or voting rights of shares were subject to stricter scrutiny. Article 4 avoided that risk. The clause did not establish an indefinite trust,

37 Fleischer, 2018, p. 697.

38 This liberal approach planned for life but acknowledged the inevitability of death and change and sought balance between group cohesion and individual freedom.

usufruct, or encumbrance on the shares, nor did it create a right of first refusal or mandatory sale clause. Instead, it allowed a cooling-off period during which the group could adapt to the changed internal configuration. Therefore, from a “policy” perspective, this restriction was not “hard” but a soft, time-bound limitation intended to stabilise group dynamics while avoiding unnecessary interference with the free circulation of shares. This contractual clause also demonstrated a forward-looking and pragmatic approach to shareholder succession. The drafters realised that death or incapacity would eventually remove key players from the syndicate; they opted for a transitional model, which opened the possibility to convince the heirs to remain in the syndicate rather than attempting to perpetuate control indefinitely through estate mechanisms. It was significant that they did not bind heirs in perpetuity, nor did they require successors to join the syndicate as a precondition for retaining ownership.

Article 4 took a liberal and time-limited view of shareholder succession. On the other hand, a different approach that focused on long-term strategic governance and business stability would call for a structure that is more rigid but justifiable in certain cases. In high-stakes, closely held joint-stock companies, especially those run by family groups or syndicates, the death or incapacitation of a shareholder was of high risk. From this perspective, a year-long transition period may not have been sufficient to prevent destabilisation or possible foreign interference. This theoretically strict method could have included things like mandatory transfer clauses (which would require shares to be offered first to current syndicate members or the company before they could be inherited or sold to someone else), automatic accession clauses (which would require heirs or successors to agree to the agreement in order to get the inherited shares), or “perpetual” lock-in clauses (which would allow shares to be kept in the syndicate structure for a longer time to keep the group together). These rules, while stricter, can help a group by keeping voting power from being split up, reducing lawsuits between heirs, and stopping governance choices from being delayed by successors who were unwilling or ignorant. In family capitalism,³⁹ especially

39 James, 2006.

where management and ownership were intertwined, the ability to keep control and vision may have been more important than individual freedom of choice. These rigorous rules may be common in shareholder agreements in family companies. From this perspective, the Renner Leather Factory's 1926 agreement with the one-year sunset clause may not have been strong enough to protect the group's interests.

But the real Article 4 revealed a moderate governance mechanism: it ensured temporary stability in the event of shareholder departure while respecting the private autonomy of heirs and successors. We must consider this question also in the light of the agreement duration. In the context of succession planning, the 1926 syndicate agreement of the Farkas Group reflects a contractual orientation more concerned with medium-term strategic coordination than with comprehensive inter-generational governance. The limited five-year term of the agreement (effective from January 1, 1927, to December 31, 1932) significantly influenced the manner in which the parties addressed, or rather deferred, the legal implications of death, incapacity, or other succession-related events. The agreement revealed a focus on preserving cohesion among active members during a defined period of governance, rather than extending control over shareholding lasting beyond their lifetimes. The inclusion of Article 4 (which allowed heirs or legal successors to reclaim full autonomy over shares one year after the shareholder's death) emphasised this approach. It provided a short-term buffer to absorb transitional shocks, but it stopped short of establishing enduring structures of dynastic control. This agreement was designed as a renewable pact between contemporaries, not as a specific framework for future generations. Implicit in its scheme was the expectation of periodic renegotiation and adaptation, rather than perpetuity. In this respect, the agreement's logic diverged from that of more conservative or dynastic shareholder arrangements typical in family capitalism.

3.8. SANCTIONATORY MECHANISMS

The sanctionatory mechanisms rooted in Articles 9 and 10 of the 1926 syndicate agreement of the Farkas Group reflected a contractual effort

to reinforce internal discipline and contractual compliance among the signatories. These provisions combined monetary penalties with security mechanisms (in the form of pledged shares) to secure adherence to group resolutions and prevent deviation from collective will, especially in the context of company governance.

According to Article 9

If any member of the group votes against the group's decision at a meeting of the board of directors or the management committee, or obstructs the group leader from exercising the voting rights on their behalf at the general meeting, such member shall be liable to pay a contractual penalty of 500,000 lei – non-reducible by judicial discretion – to the benefit of the non-defaulting members.

If Dr Mózes Farkas, or any other group leader acting in that capacity, acts or votes in contradiction to a group decision, he shall be liable to pay a contractual penalty of 1,000,000 lei – also non-reducible – to the benefit of the non-defaulting members.

Article 9 established a dual system of liquidated damages⁴⁰ as contractual penalties for breaches of collective decision-making. This mechanism was critical for enforcing internal discipline and ensuring fidelity to collective decision-making within the Farkas Group. The contractual penalties targeted disloyal or obstructive behaviour, one aimed at regular group members and the other at the group leader. This provision's conception, structure, and enforceability demonstrate significant contractual expertise and a profound comprehension of intra-group governance.

The first paragraph of Article 9 provided that if a group member acted in contravention of the group's internal decision, specifically by

40 "Breaches of shareholder agreements are almost universally subject to liability sanctions. However, these are unlikely to be an appropriate remedy due to the difficulties in proving the damages incurred. As a result, practitioners [...] recommend liquidated damages clauses as an indirect enforcement mechanism." See Fleischer, 2018, p. 691. "In any event, breach of a shareholder agreement usually gives rise to relief in contract". See Koh, 2022, p. 145.

casting a dissenting vote at a board or management committee meeting or by obstructing the group leader's exercise of delegated voting rights at a general meeting, this member would be obligated to pay a penalty of 500,000 lei.⁴¹ Crucially, the clause clarified that this amount was non-reducible by judicial discretion, thereby excluding any court from mitigating the contractual penalty based on proportionality, hardship, or general equity considerations.⁴²

This first sanction targeted individual breaches of loyalty and voting discipline, ensuring that members could not use their shareholding autonomy to disrupt the group's unified strategy. It addressed both active disobedience (voting against group decisions) and passive obstruction (blocking the authorised representative's voting authority), or their combination, reflecting an expansive view of what constitutes harmful conduct in a syndicate setting. The remedy was not damages in the strict sense but a pre-agreed liquidated sum, which functioned as both a deterrent and compensation.⁴³ The provision was punitive in form and protective in substance, safeguarding the cohesion of the group.

41 Today approximately 35.000 euro.

42 This aligns with classic civil law doctrines concerning *penale* clauses, where parties may expressly agree to waive judicial review of penalties, provided this does not offend public policy. Of course, the law does not allow parties to fully waive judicial review of excessive penalties in advance. Even if a clause in the contract states that the penalty is "non-reducible by judicial discretion" (as in the Renner syndicate agreement), the courts would still retain the authority to reduce it if the penalty is manifestly disproportionate. But the interpretation of very high penalties has traditionally diverged in *civil* versus *commercial* contexts. Courts in civil cases were more inclined to scrutinise the proportionality of penalties to the actual harm suffered. In contrast, within the commercial sphere, very high penalties were viewed as legitimate instruments of risk allocation and discipline among professional, knowledgeable parties (especially merchants), meant to deter breach, not necessarily to reflect actual damage, and more likely to be upheld in full, especially when even the parties agreed that the penalty is "non-reducible".

43 Penalty clauses, on the one hand, "serve as a means of exerting pressure on the other party to behave or not to behave in a specific way; on the other hand, they relieve the creditor of the necessity of assessing and proving his claim for damages in case of non-compliance." Also, it is crucial that penalty clauses obviate "the need to adduce evidence, dispensing with the vagaries of judicial discretion and allowing parties to recover more safely, more speedily and more completely." See Zimmermann, 1996, pp. 95–96.

The second paragraph of Article 9 introduced a more severe penalty, 1,000,000 lei,⁴⁴ likewise non-reducible, for a breach committed by the group leader. If the leader (whether Dr Mózes Farkas or a successor in that role) acted contrary to the group's resolution, including by exercising delegated voting rights in a manner inconsistent with group decisions, this higher penalty would apply. This reflected a deep level of fiduciary responsibility borne by the group leader, whose delegated authority gave him greater capacity to affect outcomes at the corporate level. A breach by the leader, therefore, was viewed as a betrayal of the group's mandate and as a potentially destabilising act warranting a proportionately stronger response.

The structure of Article 9 placed emphasis on inter partes enforcement. The penalties were payable to the non-defaulting members, not to the company itself. This indicated that the clause operated strictly within the private contractual framework of the syndicate, rather than as a matter of corporate law. The agreement was a device to govern private shareholder relations, not to bind the joint-stock company or affect third-party rights.

Article 9 was a classic expression of contractual autonomy in the realm of shareholder cooperation. It provided the syndicate with an internal enforcement mechanism that substituted for public regulatory discipline, at a time when shareholder agreements were largely unregulated (still true today for both Hungary and Romania) and enforcement through courts was often slow or ineffective. Furthermore, by establishing penalties beforehand (*ex ante*), the clause prevented individuals from incurring substantial expenses on litigation for damages and facilitated the demonstration of breach of contract, as merely demonstrating the violation sufficed to render one liable.

Finally, Article 9 should be construed in conjunction with the rest of the agreement, particularly the vote coordination method outlined in Article 5 and the representation clause in Article 7. These regulations enabled a private consortium (the syndicate) of owners to establish a structured and enforced framework for managing their operations independently. Article 9 ensured that this framework included substantial

44 Today approximately 70.000 euro.

enforcement: violating the regulations would not be a symbolic gesture or a negotiable matter but would have significant and immediate pecuniary consequences. Article 9 served as the primary mechanism for the syndicate to maintain order and cohesion among its members. It employed expansive private law concepts to restrict individual liberties for the sake of maintaining group stability. By using this approach, it established an equilibrium between liberty and regulation, facilitating the functionality of the (in)formal shareholder coalition.

The enforcement mechanism established by Article 10 further strengthened these sanctions by linking them to a proprietary guarantee: the shares deposited (originally regulated under Article 2) also served as a hand pledge⁴⁵ (*kézizálog* in Hungarian) that secured both current and future obligations of each member toward the company and the group. According to Article 10,

The shares in deposit shall also serve as a pledge (hand pledge) securing any current or future obligations that a group member may have toward the Renner Leather Factory or toward the other members under this agreement. Each member's shares shall be pledged only to the extent of their individual obligations.

If enforcement of the pledge becomes necessary, it may be carried out without judicial intervention under §306 of the Commercial Act, through public sale of the shares. The pledge shall be exercised on behalf of the Renner Leather Factory and the group by Dr Mózes Farkas or the group's acting leader.

Article 10 of the 1926 syndicate agreement introduced a dual-purpose legal mechanism designed to secure compliance with both corporate and intra-group obligations: namely, the use of deposited shares as collateral in the form of a hand pledge. The pledge was an in rem right that

⁴⁵ The pledge “entailed the handing over of a thing in order to secure a debt. Obviously the very same thing had to be restored by the creditor/pledgee to the pledgor once this underlying debt had been discharged (or otherwise extinguished)”. See Zimmermann, 1996, p. 220.

created an enforceable security interest over the shares. This provision served as a powerful enforcement tool and a practical extension of the disciplinary system already established in Article 9, but it moved beyond sanction into the realm of asset-based security. Under this clause, the shares deposited with Dr Mózes Farkas (in accordance with Article 2) were not merely restricted in transferability; they were also formally pledged to secure obligations stemming from two separate sources. First, obligations owed to the Renner Leather Factory itself, whether existing at the time of agreement or arising in the future;⁴⁶ and second, obligations owed to the other members of the Farkas Group, under the terms of the syndicate agreement. This latter provision combined contractual penalties (Article 9) with secured performance (Article 10).

This orientation is significant because it clarified that the deposited shares were not just instruments of coordination; they were active security interests supporting enforceable claims. Such a pledge offered the group and the company a tangible method of risk management: if a member defaulted on any relevant obligation, enforcement could be carried out directly on the pledged shares. These mechanisms were tailored to the specificities of a bearer-shareholding regime. Today, in the world of nominative shares (bearer shares are prohibited now both in Hungary and Romania⁴⁷), this technique would be more complicated but not unimaginable.⁴⁸

46 The contract in this way also protected the interests of the joint-stock company, not only the interests of the shareholders' group members.

47 Bearer shares are mostly illegal in today's legal systems because of their opacity and because such shares can be used to avoid taxes, launder money, or commit corporate fraud. Hungary and Romania have both gotten rid of bearer shares to promote transparency. Also, we must state that bearer shares represent the most natural and original form of shareholding, rooted in the principle of negotiability, and their prohibition in modern legal systems arises not from corporate law concerns but rather from external regulatory imperatives.

48 Such as voting trusts (an agreement whereby shareholders transfer their shares or at least their voting rights to a trustee, who then exercises voting power according to the collective wishes of the trust participants); shareholder agreements with lock-up clauses (right of first refusal, approval requirements for transfer); registered pledge of nominative shares, and if the pledge is duly registered, it is enforceable against third parties, etc.

The provision further stipulated that the pledge would apply only to the extent of the pledgor's individual obligations, a rule consistent with proportionality principles in secured transactions. This avoided over-securitisation and protected the shareholders from having the full value of their shares encumbered for minor breaches of contract.

Most notably, Article 10 provided that if enforcement became necessary, it could proceed without judicial intervention, relying on §306 of the Hungarian Commercial Act of 1875, which at the time allowed for extrajudicial enforcement of hand pledges through sale of the pledged goods under tightly defined conditions.⁴⁹ Under §306, if the pledge was granted to secure a commercial debt, and the parties have a written agreement allowing the creditor to satisfy their claim without judicial intervention from the pledged asset, then, in the event of default by the debtor, the creditor is entitled to sell the pledged item publicly. Moreover, the provision includes an important exception: if the pledged items are marketable or exchange-traded, the creditor is free to sell them privately through a reliable intermediary at the prevailing market price.

Given that these were bearer shares in a joint-stock company, it is entirely reasonable to infer that they were capable of market valuation, informally tradable with a known and consensual price range among investors. In that sense, the drafters could plausibly rely on the second sentence of § 306, allowing private sale via a trusted intermediary. In a closely held company dominated by family and ethnic networks (Renner, Farkas, Hecht), with restricted shareholder circles and limited market exposure, the practical risk of a public sale would have been unacceptable: a public auction would have threatened the syndicate's power over

49 As it was stated, "ownership vested in the pledgor, and it did, of course, not pass to the pledgee simply by virtue of the fact that the underlying debt had not been discharged or that the pledgee/creditor had not otherwise been satisfied. Thus, the somewhat strange and hybrid situation could arise that the pledgee was entitled to keep the pledge indefinitely without, however, being able to use it as a means of obtaining satisfaction. In order to avoid this anomaly, the parties had to come to some arrangement regarding the consequences of non-redemption of the pledge". For example, "the pledgee should be authorised to obtain satisfaction by selling the pledge". See Zimmermann, 1996, pp. 223–224.

the company. A private, controlled, intra-group or vetted sale⁵⁰ was far more consistent with their interests.

The law also imposed certain safeguards for the debtor, who had to be informed of the sale without delay, where possible; failing this, the creditor became liable for any resulting damages. Furthermore, any surplus from the sale proceeds exceeding the amount of the debt had to be returned to the debtor. §306 reflected the merchant autonomy and liberal enforcement philosophy typical of 19th-century commercial codes across Europe. Revealed a fundamental trust in market mechanisms: that the market price of the pledged item was presumed to reflect objective value, removing the need for judicial oversight. Commercially sophisticated parties (including lawyers and businessmen) were trusted by the law to manage complex financial enforcement mechanisms themselves. The law “streamlined” the enforcement process and removed the delays and unpredictability associated with court/bailiff proceedings.

The article vested enforcement authority in Dr Mózes Farkas, or the acting leader of the group, who could exercise the pledge on behalf of both the company and the group. This confirmed the central coordinating role of the group leader. The group leader had fiduciary duties not only as a voting agent (Article 7), but also as the *de facto* enforcement officer for intra-group debt. Article 10 imported the logic of secured transactions into the private governance regime of the syndicate. The hand pledge mechanism transformed the shares into a form of movable collateral, creating a real security interest whose existence and enforcement were governed by commercial law. From a corporate governance standpoint, Article 10 reinforced the syndicate’s internal control mechanisms. It introduced a material consequence for breach, beyond penalties: the risk of losing equity participation itself. For shareholders whose economic and managerial power derived from their shareholdings, this threat acted as a highly effective deterrent. It ensured that

50 “Vetted” sales refer to transactions involving outside individuals who have been carefully evaluated, screened, or pre-approved by the group and who were considered suitable not only in terms of trust and strategic alignment but also as potential future members of the group itself.

the alignment of interests was not just aspirational but was backed by material risk. Furthermore, Article 10 conferred the 1926 agreement enforcement power, and it merged contract law and commercial security law into a coherent framework, grounded in risk allocation and private ordering. The provision not only kept the group members from fighting with each other, but it also protected them against instability that could come from default, strife, or opportunism. It is an early and useful illustration of how shareholder agreements in family-run businesses might use all the legal tools of the time to create powerful private governance structures.

3.9. ARBITRATION CLAUSE

Art. 13 of the contract contains the following text:

*Any disputes arising out of this agreement shall be resolved exclusively by arbitration. The parties and their legal successors agree to submit to the exclusive jurisdiction and competence of the arbitral tribunal. The arbitral tribunal shall consist of three members: one appointed by the claimant, one by the respondent, and the third – who shall serve as chair – shall be appointed by mutual agreement of the first two arbitrators or, failing such agreement, by drawing lots. The seat of the arbitral tribunal shall be in Cluj.*⁵¹

This clause of the 1926 syndicate agreement, which provided for exclusive arbitration, must be understood within the specific legal and sociopolitical context of interwar East-Central Europe, particularly in a region like Transylvania that had only recently become part of Romania following the Treaty of Trianon (1920). The provision reflects not only a preference for private and efficient resolution of disputes among

51 Article 12, which provides that “any applicable stamp duties or fees arising from this agreement shall be borne by the members of the syndicate in proportion to the shares they have placed under this agreement,” falls outside the scope of the present analysis.

shareholders but also signals deeper underlying concerns, especially secrecy, elite autonomy, and a degree of mistrust in the newly established Romanian judiciary.⁵² In general, it is suggested that “arbitration panels are, for a variety of reasons, in a better position to offer proactive solutions for shareholder disputes than state courts”.⁵³

The clause is carefully crafted: it mandates that “any disputes arising out of this agreement” fall under the “exclusive jurisdiction and competence” of an arbitral tribunal, consisting of three members, one chosen by each party and a chair appointed by mutual agreement (or by lot if no consensus is reached).⁵⁴ This procedural model was quite standard in commercial arbitration at the time, balancing adversarial symmetry with internal flexibility. What distinguishes this clause is less the form than the cultural and legal philosophy it enacts.

The parties to this agreement, members of the Farkas, Renner, and Hecht families, were from Jewish-Hungarian or German-Hungarian backgrounds. In the 1920s, these communities still largely operated in the Austro-Hungarian legal tradition, despite the shift to Romanian sovereignty. Arbitration, as envisioned here, allowed such elites to preserve a zone of legal autonomy, operating under familiar legal forms and avoiding entanglement with Romanian legal and court systems, often viewed by minorities as politicised, nationalistic, and unpredictable. Choosing Cluj as the seat of arbitration was likely both symbolic and strategic. By fixing the arbitration locally, the agreement rooted its dispute resolution in a milieu that was ethnically familiar, linguistically accessible, and commercially reliable for all parties.

The confidential nature of arbitration, shielded from the publicity and rigidity of state court procedures, would have been appealing not just for political and cultural reasons but also to protect sensitive financial and internal governance information.⁵⁵ The parties were

52 On the transition from the Hungarian to the Romanian court system, see Veress, 2020, pp. 151–173.

53 See Fleischer, 2018, p. 717.

54 This was and still is one of the most general model to create the arbitral tribunal.

55 One of the widely acknowledged strengths of commercial arbitration lies in its ability to protect the privacy of the proceedings, offering a level of discretion often unavailable in traditional court litigation. For details, see Noussia, 2010.

major shareholders, and the syndicate agreement itself was designed to coordinate their votes covertly, without alerting other shareholders or external actors. Public litigation would have exposed the very alliance the syndicate was formed to conceal. Thus, arbitration served as a functional dispute-resolution tool but at the same time as a structural element of the agreement's secrecy regime. The mechanism allowed the group to enforce internal discipline without state interference while still providing a legally enforceable framework.

More implicitly, the clause can betray a degree of scepticism toward Romanian judicial institutions. The post-Trianon legal transition left Hungarian-speaking elites uneasy about the legitimacy and professionalism of Romanian civil courts, which were perceived to be infused with nationalist biases and less developed commercial jurisprudence. Opting for private arbitration over public adjudication offered a neutral buffer zone, where ethnic, linguistic, and political differences could be bracketed out.⁵⁶

In this context, arbitration was a neutral efficiency mechanism, an instrument of legal continuity, preserving a zone of Austro-Hungarian commercial rationality under Romanian rule. Article 13 was more than a routine arbitration clause: it expressed the commercial elite's broader desire for autonomy, confidentiality, and legal continuity in a time of dramatic political and territorial change. It reflected a transitional and transnational legal culture, rooted in pre-World War I legal norms but surviving through interwar adaptation.

4. CONCLUSIONS

The 1926 syndicate agreement of the Renner Leather Factory (later Dermata) provides a profoundly instructive case study of how early 20th-century industrial enterprises in East-Central Europe utilised private legal instruments to manoeuvre through a complex and unstable environment characterized by geopolitical turmoil, legal fragmentation,

56 For insights into the functioning of the judiciary in interwar Transylvania, consult the personal memoirs of attorney Andor Fekete (Fekete, 2019).

and social change. The arrangement was not only a formality of partnership among important shareholders. Instead, it was a planned system of governance meant to keep things stable, impose discipline, and keep control of a joint-stock business whose ownership was dispersed and open to outside intervention.

The broader historical context, characterised by the disintegration of the Austro-Hungarian Empire, the annexation of Transylvania into Greater Romania, and the imminent challenges of economic nationalism, underscored the vulnerability of institutional continuity. In this unstable environment, the Farkas, Renner, and Hecht families created their own system of internal order: a syndicate agreement that could be enforced, and set standards for voting behaviour, collective representation, fiduciary duties, and sanctions inside the group.

This agreement is notable for its legal complexity and for its cultural and political importance. The people who wrote it were following the Austro-Hungarian commercial legal tradition and used Hungarian legal terms and ideas years after Romania took over the historical region of Transylvania. This shows how strong pre-union legal norms were among minority elites. The “syndicate” was a private “organisation” that operated within the larger legal structure of the joint-stock business. It had its own set of rules for leadership, coordinating votes, internal discipline, transfer limitations, succession planning, and settling disputes through private arbitration. It turned the family bloc into a disciplined governance coalition that could have a strategic impact on business decisions, even if it didn’t possess the majority of shares.

Key provisions, like the deposit of bearer shares, the appointment of Dr Mózes Farkas as group leader with exclusive voting rights, the enforcement of penalties for breach, and the use of hand pledges and extrajudicial enforcement under §306 the Hungarian Commercial Act, show a deep understanding of both commercial and private law. These provisions changed what may have been a weak and informal partnership into a strong structure of governance that could stay coherent over time.

The agreement showed a two-layered logic: internally, it held family shareholders to a system of discipline and loyalty; externally, it protected the firm from dilution, hostile takeovers, and political instability.

It integrated leadership as a part of the system, ensured agreement within the organisation before acting outside of it, and used arbitration to keep national courts from getting political. They were part of a deliberate legal and strategic attempt to protect the company from the political instability and ethnic tensions of the time between the wars.

The syndicate agreement demonstrates that the group is taking a careful approach to time management. Its five-year term, along with the short binding period for heirs in the event of death or incapacity, shows a practical view of governance as something that may change and be renewed rather than something that is always set in stone. This agreement wasn't meant to be a long-term constitution for the family. Instead, it was a way for the founding families to work together in the short term and be able to change as needed when business or political conditions change.

The 1926 agreement is significant as it illustrates that power was maintained not just through conventional corporate mechanisms, such as boards of directors and shareholder registries at that time and place. It was also held by parallel private contracts, family ties, and informal enforcement structures. The Renner syndicate gives us a rare and very detailed look into the legal culture of Cluj during the interwar period, when ethnic, commercial, and legal plurality came together in a weak but working private system of control.

As we continue to examine each part of this agreement in greater detail, we find that it is a very useful source for people who study legal history, corporate governance, minority rights, and capitalism in Central Europe.

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