

SECURITIES AND EXCHANGE COMMISSION

FORM DEFC14A

Definitive proxy statement in connection with contested solicitations

Filing Date: **1995-06-13**
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SUBJECT COMPANY

HILLS STORES CO /DE/

CIK:**786877** | IRS No.: **311153510** | State of Incorpor.:**DE** | Fiscal Year End: **0131**
Type: **DEFC14A** | Act: **34** | File No.: **001-09505** | Film No.: **95546851**
SIC: **5311** Department stores

Mailing Address
*15 DAN ROAD
CANTON MA 02021*

Business Address
*15 DAN RD
CANTON MA 02021
6178211000*

FILED BY

DICKSTEIN PARTNERS INC

CIK:**922415** | IRS No.: **133537972** | State of Incorpor.:**NY** | Fiscal Year End: **1231**
Type: **DEFC14A**

Mailing Address
*9 WEST 57TH STREET
NEW YORK NY 10019*

Business Address
*9 WEST 57TH STREET
NEW YORK NY 10019*

SCHEDULE 14A
(Rule 14a-101)
INFORMATION REQUIRED IN PROXY STATEMENT
SCHEDULE 14A INFORMATION
Proxy Statement Pursuant to Section 14(a) of the
Securities Exchange Act of 1934

Filed by the Registrant /
Filed by a Party other than the Registrant /x/
Check the appropriate box:
 / Preliminary Proxy Statement
 / Definitive Proxy Statement
 /x/ Definitive Additional Materials
 / / Soliciting Material Pursuant to Section 240.14a-11(c)
or Section 240.14a-12

Hills Stores Company

(Name of Registrant as Specified In Its Charter)

Dickstein Partners Inc.

(Name of Person(s) Filing Proxy Statement)

Payment of Filing Fee (Check the appropriate box):

- / \$125 per Exchange Act Rules 0-11(c)(1)(ii), 14a-6(i)(1),
or 14a-6(i)(2).
- /x/ \$500 per each party to the controversy pursuant to
Exchange Act Rule 14a-6(i)(3).*
- / / Fee computed on table below per Exchange Act Rules
14a-6(i)(4) and 0-11.

(1) Title of each class of securities to which transaction
applies:

(2) Aggregate number of securities to which transaction
applies:

(3) Per unit price or other underlying value of transaction
computed pursuant to Exchange Act Rule 0-11:(1)

(1) Set forth the amount on which the filing fee is calculated
and state how it was determined.

* Previously paid.

(4) Proposed maximum aggregate value of transaction:

/_/ Check box if any part of the fee is offset as provided by Exchange Act Rule 0-11(a)(2) and identify the filing for which the offsetting fee was paid previously. Identify the previous filing by registration statement number, or the form or schedule and the date of its filing.

(1) Amount Previously Paid:

(2) Form, Schedule or Registration Statement No.:

(3) Filing Party:

(4) Date Filed:

TEL: 212-754-4000

FAX: 212-754-5825

June 12, 1995

MAXIMIZE THE VALUE OF YOUR INVESTMENT IN HILLS STORES NOW.
VOTE TO ELECT NOMINEES COMMITTED TO THE SALE OF HILLS.

DEAR HILLS STORES STOCKHOLDER:

Dickstein Partners is seeking your vote on the enclosed BLUE proxy card to elect its seven nominees to the Board of Hills Stores Company at the upcoming Annual Meeting scheduled for Friday, June 23, 1995.

Our nominees are fully committed to a sale of Hills Stores to the highest bidder, conducted through an auction under the direction of a special, independent committee of the Board of Directors.

WHY WAIT TO SEE IF MANAGEMENT'S RISKY
GROWTH STRATEGY WILL PAY OFF?

Management wants you to believe that its "growth strategy" will result over time in a higher stock price. But how long will it take? Will it ever happen?

We believe that management's "growth strategy" is risky, especially considering that Hills has yet to go head-to-head against Target Stores in most of its markets.

Even if management's growth plans are successful, this may not result in increased value for your Hills shares. With competition increasing, short term financial success does not guarantee a higher share price. Despite the Company's successful operating and financial performance, prior to our proposal to acquire Hills, its shares traded poorly. The fact that the stock prices of other successful discount retailers are trading at or near their twelve-month low -- as management itself indicates -- underscores this point.

NOW IS THE TIME TO SELL HILLS STORES.

We believe Hills stockholders will benefit far more from a successful auction of the Company to the highest bidder. We believe an auction is the best available means to provide stockholders with an immediate and substantial increase in value for their shares. You need not wait to see if management's highly uncertain "growth strategy" will result in a higher share

price several years from now.

9 West 57th Street, Suite 4630 New York, N.Y. 10019

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YOU DECIDE WHO IS MORE LIKELY TO ACT
IN THE BEST INTERESTS OF STOCKHOLDERS.

We have pledged to form an independent special committee to conduct the auction. At a minimum, the committee would consist of John Burden, the former Chairman of Federated Department Stores, and Chaim Edelstein, the former Chairman and CEO of Abraham & Straus, two experienced retailing executives with well-deserved reputations for integrity and financial acumen. We have also proposed that Hills' current Chief Executive Officer, Michael Bozic, and current Chief Financial Officer, John Reen, serve on this special committee.

Management wants you to believe that our nominees would not act in the best interests of stockholders. Ask yourself, however, in whose interest your current Board is acting by refusing to conduct an auction. Also consider in whose interest the Board was acting when it voted to:

- o Pay its non-executive Chairman, Thomas H. Lee, \$250,000 a year.
- o Pay Board member and consultant, Norman Matthews, \$750,000 per year, as well as provide him with a \$2 million golden parachute.
- o Provide members of senior management with golden parachute payments totaling approximately \$20 million.

We or any other prospective purchaser of Hills would be able to pay more for your shares if these golden parachutes payments were not required.

OUR ACQUISITION PROPOSAL DEMONSTRATES OUR COMMITMENT TO
REALIZING MAXIMUM VALUE FOR STOCKHOLDERS.

As you know, Dickstein Partners has submitted a proposal to acquire Hills. This proposal is summarized in our proxy statement which was previously mailed to you. If an auction for Hills is commenced (whether by the current Board or the Dickstein nominees, if elected) we intend to submit an acquisition proposal worth at least as much as our current proposal.

TIME IS SHORT. VOTE YOUR BLUE PROXY TODAY.

The June 23 Annual Meeting is less than two weeks away. We ask you to mark, sign, date and mail the enclosed BLUE card in the postage-paid envelope provided. Please do so today.

To ensure your support for our nominees and the auction of the Company to the highest bidder, you should not return any of management's White cards, even as a protest vote against the current Board. Simply ignore management's White cards.

SEND A MESSAGE THAT YOU WANT TO SEE THE VALUE OF
YOUR HILLS INVESTMENT MAXIMIZED IMMEDIATELY.

If you have already voted to support management, you have every legal right to change your mind and vote to support the Dickstein nominees on the BLUE card. Doing so will revoke your White management proxy. Only your latest-dated proxy card will count in this election contest.

RISKY GROWTH STRATEGY VS. SALE TO THE HIGHEST BIDDER.
YOUR CHOICE IS CLEAR.

A vote for the Dickstein nominees provides you with a Board of Directors fully committed to a sale of Hills Stores to the highest bidder. We appreciate your support of our initiative.

Sincerely,

/s/ Mark Dickstein

MARK DICKSTEIN

If you have questions or need assistance in voting your shares, please contact:

MACKENZIE PARTNERS, INC.
156 Fifth Avenue
New York, New York 10010
(212) 929-5500 (call collect)
or
Call Toll-Free (800) 322-2885

