

SOUND ADVICE INC
Form DEFM14A
June 28, 2001
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**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 (AMENDMENT NO. 1)**

Filed by the Registrant [X]

Filed by a Party other than the Registrant []

Check the appropriate box:

[] Preliminary Proxy Statement

[] Confidential, for Use of the Commission
Only (as permitted by Rule 14a-6(e)(2))

[X]
Definitive
Proxy
Statement

[]
Definitive
Additional
Materials

[]
Soliciting
Material
Pursuant to
Rule
14a-11(c) or
Rule 14a-12.

SOUND ADVICE, INC.

(Name of Registrant as Specified In Its Charter)

(Name of Person(s) Filing Proxy Statement, if other than the Registrant)

Payment of Filing Fee (Check the appropriate box):

[] No fee required.

[] Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11.

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- (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 (set forth the amount on which the filing fee is calculated and state how it was determined):
- (4) Proposed maximum aggregate value of transaction:
- (5) Total fee paid:

Fee paid previously with preliminary materials.

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: \$31,332.23
 - (2) Form, Schedule or Registration Statement No.: Registration Statement on Form S-4 No. 333-62966
 - (3) Filing Party: Tweeter Home Entertainment Group, Inc.
 - (4) Date Filed: Originally filed on June 14, 2001 and amended on June 26, 2001.
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SOUND ADVICE, INC.

**1901 Tigertail Boulevard
Dania Beach, Florida 33004**

Dear Sound Advice Stockholder:

You are cordially invited to attend a special meeting of stockholders of Sound Advice, Inc. to be held at 9:00 a.m., on July 30, 2001, at the Hollywood Sound Advice store at 4150 North 28 Terrace, Hollywood, Florida 33021.

At this meeting, you will be asked to approve the merger agreement by and among Tweeter Home Entertainment Group, Inc., TWT Acquisition Corp., a wholly owned subsidiary of Tweeter, and Sound Advice, and to approve the merger of TWT Acquisition Corp. with and into Sound Advice under which Sound Advice will become a wholly owned subsidiary of Tweeter.

At the effective time of the merger, each outstanding share of Sound Advice common stock, other than shares held by Tweeter, will be converted into shares of Tweeter common stock based on an exchange ratio. If the average daily closing price of Tweeter common stock as reported by Nasdaq for the five business days ending two days prior to the effective date of the merger is between \$21 and \$30 per share, then the exchange ratio will be one for one. If the average daily closing price is \$30 or more per share, then the exchange ratio will equal a fraction, the numerator of which will be 30 and the denominator of which will be the average daily closing price. If the average daily closing price is below \$21 per share, then the exchange ratio will equal a fraction, the numerator of which will be 21 and the

denominator of which will be the average daily closing price. In the event the average daily closing price is below \$18 per share, either party may terminate the merger agreement.

You should carefully review the considerations associated with the merger set forth under Risk Factors in the accompanying joint proxy statement/prospectus.

Sound Advice's board of directors has unanimously approved the merger agreement and the merger, has determined that the merger agreement and the merger are fair to and in the best interests of Sound Advice and its stockholders, and recommends that you vote to approve the merger agreement and the merger at the special meeting. The merger agreement is attached to the accompanying joint proxy statement/prospectus, which contains details regarding each of the matters to be voted upon at the special meeting. We encourage you to read the merger agreement and the joint proxy statement/prospectus carefully.

For the merger to be effected, the holders of a majority of Sound Advice common stock outstanding and entitled to vote must adopt and approve the merger agreement and the merger. Under a stockholder proxy, some directors and executive officers of Sound Advice have granted Tweeter designees an irrevocable proxy to vote all of their shares of Sound Advice common stock for approval of the merger agreement and the merger, and against any competing transaction.

Whether or not you plan to attend the meeting, please complete, sign and date the accompanying proxy card and return it in the enclosed postage prepaid envelope. It is important that your shares be voted whether or not you attend the meeting in person. If you attend the meeting, you may vote in person even if you have previously returned your proxy card. Your prompt cooperation will be greatly appreciated.

Very truly yours,

Peter Beshouri
President and Chief Executive Officer

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SOUND ADVICE, INC.

**1901 Tigertail Boulevard
Dania Beach, Florida 33004**

NOTICE OF SPECIAL MEETING OF STOCKHOLDERS

June 28, 2001

To Sound Advice Stockholders:

A special meeting of stockholders of Sound Advice, Inc. will be held on Monday, July 30, 2001, at 9:00 a.m., local time, at the Hollywood Sound Advice store at 4150 North 28 Terrace, Hollywood, Florida 33021, for the following purposes:

1. To consider and vote upon approval of the Agreement and Plan of Merger among Tweeter Home Entertainment Group, Inc., TWT Acquisition Corp., a wholly owned subsidiary of Tweeter, and Sound Advice,

and the merger contemplated by the agreement. Under the merger agreement, Tweeter will issue shares of its common stock and options in exchange for all shares and options to purchase shares of Sound Advice common stock outstanding immediately prior to the effective time of the merger. Upon completion of the merger, Sound Advice will become a wholly owned subsidiary of Tweeter; and

2. To transact any other business that may properly come before the special meeting.

The accompanying joint proxy statement/prospectus describes the merger agreement and the proposed merger in more detail. We encourage you to read the entire document carefully.

The board of directors has fixed June 26, 2001, as the record date for the determination of stockholders entitled to vote at the special meeting. Only stockholders of record at the close of business on that date will be entitled to notice of, and to vote at, the meeting or any postponement or adjournment thereof.

Whether or not you expect to be present at the special meeting, please complete, sign and date the enclosed proxy card and return it promptly in the enclosed return envelope. No postage is required if mailed in the United States. Stockholders who execute a proxy card may nevertheless attend the meeting, revoke their proxy and vote their shares in person.

By order of the Board of Directors

MICHAEL BLUMBERG

Secretary

Dania Beach, Florida

June 28, 2001

This joint proxy statement/prospectus is dated June 28, 2001. It is first being mailed to Tweeter stockholders and Sound Advice stockholders on or about June 28, 2001.

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You should carefully review the considerations associated with the merger set forth under **Risk Factors in the accompanying joint proxy statement/ prospectus.**

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of the merger described in this joint proxy statement/ prospectus or the securities of Tweeter to be issued in the merger, or determined if this joint proxy statement/ prospectus is accurate or complete. Any representation to the contrary is a criminal offense.

REFERENCE TO ADDITIONAL INFORMATION

This joint proxy statement/prospectus incorporates important business and financial information about Tweeter from documents that are not included in or delivered with the joint proxy statement/prospectus. This information is available to you without charge upon request. You can obtain documents incorporated by reference in the joint proxy statement/prospectus by requesting them in writing or by telephone from Tweeter at the following address and telephone number:

TWEETER HOME ENTERTAINMENT GROUP, INC.
ATTENTION: INVESTOR RELATIONS
10 PEQUOT WAY

CANTON, MASSACHUSETTS 02021
(781) 830-3000

If you would like to request documents, please do so by July 15, 2001 in order to receive them before the special meeting.

Also, see [Where You Can Find More Information](#) on page 128.

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QUESTIONS AND ANSWERS ABOUT THE MERGER

Q: What is the merger?

A: In the merger, a wholly owned subsidiary of Tweeter will merge with and into Sound Advice, and Sound Advice's stockholders will receive shares of Tweeter common stock in exchange for their shares of Sound Advice common stock. Following the merger, Sound Advice will be a wholly owned subsidiary of Tweeter.

Q: What am I being asked to vote upon?

A: At the Tweeter special meeting, Tweeter stockholders will be asked to vote on the issuance of shares of Tweeter common stock to the stockholders of Sound Advice to accomplish the acquisition by Tweeter of Sound Advice through the merger. At the Sound Advice special meeting, Sound Advice stockholders will be asked to approve the merger with Tweeter and the merger agreement.

Q: Who is entitled to vote?

A: All stockholders of Tweeter as of June 26, 2001, the record date, are entitled to vote on the issuance of shares of Tweeter common stock in the merger. All stockholders of Sound Advice as of June 26, 2001, the record date, are entitled to vote on the merger of Sound Advice with Tweeter and the merger agreement.

Q: What will Sound Advice stockholders receive in the merger?

A: At the effective time of the merger, each outstanding share of Sound Advice common stock, except for shares held by Tweeter, will be converted into shares of Tweeter common stock based on an exchange ratio. If the average daily closing price of Tweeter common stock as reported by Nasdaq for the five business days ending two days prior to the effective date of the merger is between \$21 and \$30 per share, then the exchange ratio will be one for one. If the average daily closing price is \$30 or more per share, then the exchange ratio will equal a fraction, the numerator of which will be 30 and the denominator of which will be the average daily closing price. If the average daily closing price is below \$21 per share, then the exchange ratio will equal a fraction, the numerator of which

will be 21 and the denominator of which will be the average daily closing price. In the event the average daily closing price is below \$18 per share, either party may terminate the merger agreement.

Q: Are there risks I should consider in deciding whether to vote for the merger?

A: Yes. For example, the combined company might not realize the expected benefits of the merger. In evaluating the merger, you should carefully consider the factors discussed beginning on page 17 in the section entitled Risk Factors.

Q: What votes are required to complete the transaction?

A: The merger will only be completed if:

the holders of a majority of the outstanding shares of Tweeter common stock present or represented by proxy and entitled to vote at the special meeting approve the issuance of shares of Tweeter common stock in the merger; and

the holders of a majority of the shares of Sound Advice common stock outstanding and entitled to vote approve the merger with Tweeter and the merger agreement.

Q: When do you expect to complete the merger?

A: Because the merger is subject to a number of conditions, we cannot predict the exact timing. The merger agreement provides for the merger to occur within three days after the satisfaction or waiver of the closing conditions to the merger, including the approval of Tweeter's and Sound Advice's stockholders, and we hope to effect the merger by August 1, 2001. Either Tweeter or Sound Advice may terminate the merger agreement if the merger has not occurred on or before December 31, 2001.

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Q: What do I need to do now?

A: After carefully reading and considering the information contained in this joint proxy statement/prospectus, please complete, sign and date your proxy card and return it in the enclosed postage-paid envelope as soon as possible. In addition, if you are a Tweeter stockholder, you may be able to grant your proxy by telephone or through the Internet. For both Tweeter and Sound Advice stockholders, you may also attend your company's meeting instead of submitting a proxy.

If your shares are held in street name by your broker, your broker may vote your shares only if you provide instructions to the broker on how to vote. You should follow the directions provided by your broker regarding how to instruct your broker to vote your shares.

Q: Can I change my vote after I have mailed my proxy card?

A: Yes. You can change your vote at any time before your proxy is voted at your company's special meeting. This can be done in one of three ways:

timely delivery of a valid, later-dated proxy, including, in the case of Tweeter stockholders only, a more recent proxy given by telephone or through the Internet;

written notice to the secretary of your company before the special meeting that you have revoked your proxy; or

voting by ballot at the special meeting.

Q: Should I send in my Sound Advice stock certificates now?

A: No. After we complete the merger, Tweeter's transfer agent will send instructions to Sound Advice stockholders explaining how to exchange their Sound Advice stock certificates for Tweeter stock certificates. Prior to the exchange of your Sound Advice certificates for Tweeter certificates, your Sound Advice certificates will be evidence of your ownership of Tweeter shares following the merger.

Tweeter stockholders will keep their existing stock certificates.

Q: Who can help answer my questions about the merger or voting my shares?

A: If you are a Tweeter stockholder with questions about the merger or voting your shares, please contact:

TWEETER HOME ENTERTAINMENT GROUP, INC.
ATTENTION: INVESTOR RELATIONS
10 PEQUOT WAY
CANTON, MASSACHUSETTS 02021
(781) 830-3000

If you are a Sound Advice stockholder with questions about the merger or voting your shares, please contact:

SOUND ADVICE, INC.

ATTENTION: INVESTOR RELATIONS
1901 TIGERTAIL BOULEVARD
DANIA BEACH, FLORIDA 33004
(954) 922-4434

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SUMMARY OF JOINT PROXY STATEMENT/ PROSPECTUS

The following summary highlights selected information from this joint proxy statement/prospectus and may not contain all of the information that is important to you. You should carefully read this entire document, including the appendices, and the other documents to which we refer for a more complete understanding of the merger and the issuance of shares of Tweeter common stock to Sound Advice stockholders. Where applicable below, we have included page references parenthetically to direct you to more complete descriptions of the topics presented in this summary. Additionally, we incorporate by reference important business and financial information about Tweeter into this joint proxy statement/prospectus. You may obtain the information incorporated by reference into this joint proxy statement/prospectus without charge by following the instructions in the section entitled "Where You Can Find More Information" on page 128.

THE COMPANIES

TWEETER HOME ENTERTAINMENT GROUP, INC.

10 Pequot Way

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Canton, Massachusetts 02021
(781) 830-3000
<http://www.tweeter.com>

Tweeter is a specialty retailer of mid to high-end audio and video consumer electronics products. Tweeter operates 106 stores under the Tweeter and HiFi Buys names in New England, Texas, California, the Mid-Atlantic, the Southeast, greater Chicago and North Carolina. Tweeter operates in a single business segment of retailing audio and video consumer electronic products. Its stores feature an extensive selection of home and car audio systems and components, portable audio equipment, and home video products including large screen televisions, DVD players, digital satellite systems, video cassette recorders and camcorders. Tweeter differentiates itself by focusing on consumers who seek audio and video products with advanced features, functionality and performance. Tweeter does not offer consumer electronics products such as personal computers or home office equipment. Its stores display products in an inviting retail environment averaging 10,000 square feet and are staffed with attentive, knowledgeable sales personnel. Tweeter seeks to build name recognition and customer loyalty by combining a high level of service with competitive prices backed by its patented Automatic Price Protection program.

Tweeter opened its first store in 1972 in Boston under the Tweeter name and over the next two decades grew exclusively through new store openings in New England, expanding to 18 stores by 1995. In 1995, Tweeter adopted an aggressive growth strategy to (i) open new stores in current regional markets and relocate some stores to more favorable sites and (ii) selectively pursue acquisitions in new regional markets and achieve operating improvements by converting the acquired company to Tweeter's core operating model and leveraging distribution, marketing and corporate infrastructure. Tweeter completed the acquisition of:

Bryn Mawr Radio and Television, Inc. in May 1996;

HiFi Buys, Inc. in June 1997;

Home Entertainment, Inc. in February 1999;

DOW Stereo/Video, Inc. in July 1999;

United Audio Centers, Inc. in April 2000;

Douglas TV in October 2000;

Video Scene, Inc. in May 2001; and

Audio Video Systems in June 2001.

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In addition, on October 4, 1999, Tweeter formed a joint venture with Cyberian Outpost, Inc. (Nasdaq: COOL), organized as Tweeter.Outpost.com, LLC, to jointly market and sell consumer electronics over the Internet. The Tweeter.Outpost.com site was launched on October 19, 1999.

On May 1, 2001, Tweeter completed the acquisition of Video Scene, Inc. dba Big Screen City. Video Scene has four stores in the greater San Diego area, and reported annual retail revenue of approximately \$16 million. This transaction is being accounted for as a purchase. Tweeter paid \$4.0 million in cash and issued 50,973 shares from its shelf registration filed with the Securities and Exchange Commission on April 13, 1999, and amended on

December 23, 1999. The allocation of the purchase price and acquisition costs resulted in goodwill of approximately \$5,000,000, which is being amortized over twenty years using the straight-line method.

On June 1, 2001, Tweeter completed the acquisition of SMK Marketing, Inc., dba Audio Video Systems. SMK Marketing has three stores in the greater Charlotte, North Carolina area, and reported annual retail revenue of approximately \$15 million. This transaction is being accounted for as a purchase. Tweeter paid \$3.75 million in cash and issued 40,717 shares from its shelf registration filed with the Securities and Exchange Commission on April 13, 1999, and amended on December 23, 1999. The allocation of the purchase price and acquisition costs resulted in goodwill of approximately \$5,000,000, which is being amortized over twenty years using the straight-line method.

SOUND ADVICE, INC.

1901 Tigertail Boulevard
Dania Beach, Florida 33004
(954) 922-4434
www.wegivesoundadvice.com

Sound Advice is a full service specialty retailer of a broad range of selected high-quality, upscale entertainment and consumer electronic products. Sound Advice operates 24 full-size stores, five Bang & Olufsen stores and one Electronic Interiors store in the State of Florida, the fourth largest state and the state with the fastest growing population in the United States. In addition, it operates two Showcase Home Entertainment stores in Scottsdale and Chandler, Arizona, and one home theater showroom located in the Great Indoors in Scottsdale. Sound Advice's full-size Sound Advice and Showcase Home Entertainment stores sell home and car audio systems (except that Showcase Home Entertainment stores do not carry car audio systems), large screen projection and conventional view televisions, video products, personal electronics, car security systems, home entertainment furniture and related customized services and accessories. The Bang & Olufsen stores feature Bang & Olufsen audio and video products and accessories. The Electronic Interiors store is an entirely demonstration based store built to simulate residential environments showcasing integrated entertainment systems. Sound Advice's customers seek informed advice concerning product selection and system integration in conjunction with products incorporating the latest technology.

THE STRUCTURE OF THE TRANSACTION (Pages 54 and 59)

Tweeter, Sound Advice and TWT Acquisition Corp., a newly formed wholly owned subsidiary of Tweeter, have entered into a merger agreement that provides for the merger of TWT Acquisition Corp. with and into Sound Advice. As a result, Sound Advice will become a wholly owned subsidiary of Tweeter, and stockholders of Sound Advice will become stockholders of Tweeter. We urge you to read the merger agreement, which is included as Appendix A, carefully and in its entirety.

MERGER CONSIDERATION (Pages 54 and 59)

At the effective time of the merger, each outstanding share of Sound Advice common stock, other than shares held by Tweeter, will be converted into shares of Tweeter common stock based on an exchange ratio. If the average daily closing price of Tweeter common stock as reported by Nasdaq for the five business days ending two days prior to the effective date of the merger is between \$21 and \$30 per share, then the exchange ratio will be one for one. If the average daily closing price is \$30 or more per

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share, then the exchange ratio will equal a fraction, the numerator of which will be 30 and the denominator of which will be the average daily closing price. If the average daily closing price is below \$21 per share, then the exchange ratio will equal a fraction, the numerator of which will be 21 and the denominator of which will be the average daily closing price. In the event the average daily closing price is below \$18 per share, either party may terminate the merger agreement.

Effective as of the effective time of the merger, each outstanding option to purchase shares of Sound Advice common stock under Sound Advice's Amended and Restated 1999 Stock Option Plan and Second Amended and Restated 1986 Stock Option Plan, whether or not exercisable or vested, will become fully exercisable and vested, and will be exchanged for fully exercisable and vested options to purchase that number of shares of Tweeter common stock equal to the exchange ratio times the number of shares for which the Sound Advice option is exercisable. The stock options issued by Tweeter shall have an exercise price per share equal to the original exercise price per share for the Sound Advice stock options for which they are exchanged divided by the exchange ratio; the aggregate exercise price for all options as a whole will remain unchanged.

The market price of Tweeter common stock is likely to fluctuate, and Tweeter cannot predict or give any assurances as to the market price of Tweeter common stock at any time before or after the completion of the merger. Based on the closing price of Tweeter common stock on June 1, 2001 of \$28.75 and the number of shares of Sound Advice common stock outstanding on June 8, 2001, the value of the consideration being paid by Tweeter in the merger, assuming no deductions for transaction expenses and not including stock options, was \$109,120,481.25. Based on the closing price of Tweeter common stock on June 21, 2001 of \$30.98 and the number of shares of Sound Advice common stock outstanding on June 21, 2001, the value of the consideration being paid by Tweeter in the merger, assuming no deductions for transaction expenses and not including stock options, was \$119,784,015.10.

If the average daily closing price as reported by Nasdaq for the five business days ending two days prior to the effective date of the merger is \$30 per share, the value of the consideration being paid by Tweeter in the merger, assuming no deductions for transaction expenses and not including stock options, will be \$113,864,850, and it will not increase if the average daily closing price is above \$30 per share because there will be an adjustment in the exchange ratio as described above. If the average daily closing price is \$21 per share, the value of the consideration being paid by Tweeter in the merger, assuming no deductions for transaction expenses and not including stock options, will be \$79,705,395. The value will not decrease if the average daily closing price is below \$21 per share because there will be an adjustment in the exchange ratio, which will be subject to the right of either party to terminate the merger if the average daily closing price is below \$18 per share.

The maximum number of shares which may be issued to Sound Advice stockholders in the merger, assuming termination of the merger agreement if the average daily closing price is below \$18 per share and assuming no exercise of stock options, based on the number of shares of Sound Advice common stock outstanding on June 21, 2001, is 4,523,799.

We urge you to obtain recent market quotations for Tweeter common stock. Tweeter common stock is traded on the Nasdaq National Market under the symbol TWTR.

STOCKHOLDER APPROVALS (Page 31)

Tweeter Stockholders

The affirmative vote of the holders of a majority of the shares of Tweeter common stock entitled to vote that are present or represented by proxy at the special meeting of Tweeter's stockholders is required for approval of the issuance of Tweeter common stock in the merger. Tweeter stockholders are entitled to cast one vote per share of

Tweeter common stock held at the close of business on June 26, 2001. Directors, executive officers and their affiliates hold approximately 11.3% of Tweeter's common stock outstanding as of June 11, 2001, including any shares issuable upon the exercise of options that are exercisable within 60 days of June 11, 2001.

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Under a stockholder agreement and proxy, a copy of which is attached as Appendix C hereto, some of Tweeter's directors and executive officers have agreed to vote all of their shares of Tweeter common stock for approval of the issuance of the Tweeter common stock in the merger and any other transactions contemplated by the merger agreement.

Sound Advice Stockholders

For the merger to proceed, the holders of a majority of the outstanding shares of Sound Advice common stock must approve and adopt the merger agreement and approve the merger. Sound Advice stockholders are entitled to cast one vote per share of Sound Advice common stock held at the close of business on June 26, 2001. Directors, executive officers and their affiliates hold approximately 31.78% of Sound Advice's common stock outstanding as of June 21, 2001, including any shares issuable upon the exercise of options all of which are currently exercisable.

Under a stockholder proxy, in the form attached as Appendix B hereto, some of Sound Advice's directors and executive officers, who beneficially own an aggregate of approximately 18.8% of Sound Advice's outstanding common stock, exclusive of any shares issuable upon the exercise of options, have granted Tweeter designees an irrevocable proxy to vote all of their shares of Sound Advice common stock for approval of the merger agreement and the merger, and against any competing transaction. In addition, Tweeter holds approximately 7.5% of Sound Advice's outstanding common stock, and will, as required under the merger agreement, vote all of its shares of Sound Advice common stock for approval of the merger agreement and the merger, and against any competing transaction. Furthermore, Samuel Bloomberg, the chairman of the board of Tweeter, his wife, and the Samuel Bloomberg Family Trusts collectively hold approximately 1% of Sound Advice's outstanding common stock, and they plan to vote all of their shares of Sound Advice common stock for approval of the merger agreement and the merger, and against any competing transaction.

RECOMMENDATIONS OF THE BOARDS OF DIRECTORS (Pages 35 and 44)

The Sound Advice board of directors has determined that the terms and conditions of the merger agreement are fair to, and in the best interests of, Sound Advice and its stockholders. The Sound Advice board unanimously recommends that Sound Advice stockholders vote FOR the adoption and approval of the merger agreement and approval of the merger. In some circumstances, if it determines that it is required by its fiduciary duty to do so, the Sound Advice board may be entitled to withdraw this recommendation and may cause the merger agreement to be terminated.

The Tweeter board of directors has determined that the terms and conditions of the merger agreement are fair to, and in the best interests of, Tweeter and its stockholders. The Tweeter board unanimously recommends that Tweeter stockholders vote FOR issuing shares of Tweeter common stock in connection with the merger.

OPINIONS OF FINANCIAL ADVISORS (Pages 37 and 46)

In deciding to approve the merger, the Tweeter board of directors considered opinions from its financial advisor and various other factors described below in *The Merger* Tweeter's Reasons for the Merger and Recommendation of

Tweeter's Board of Directors.

Under an engagement letter dated as of May 15, 2001, Tweeter engaged Deutsche Banc Alex. Brown Inc. to render an opinion as to the fairness to Tweeter, from a financial point of view, of the exchange ratio. At the May 31, 2001 meeting of the Tweeter board of directors, Deutsche Banc Alex. Brown reviewed analyses related to the proposed transaction. On June 1, 2001, Deutsche Banc Alex. Brown updated its analyses and delivered its opinion in writing to the Tweeter board of directors to the effect that, as of that date and based upon and subject to the assumptions made, matters considered and limits of the review undertaken by Deutsche Banc Alex. Brown, the exchange ratio was fair, from a financial point of view, to Tweeter.

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The full text of Deutsche Banc Alex. Brown's written opinion, dated June 1, 2001, which sets forth, among other things, the assumptions made, matters considered and limits on the review undertaken by Deutsche Banc Alex. Brown in connection with the opinion, is attached as Appendix E to this joint proxy statement/ prospectus and is incorporated herein by reference. A summary of the opinion of Deutsche Banc Alex. Brown appears on page 38 of this joint proxy statement/prospectus. Tweeter stockholders are urged to read the Deutsche Banc Alex. Brown opinion in its entirety. The summary of the opinion of Deutsche Banc Alex. Brown set forth in this joint proxy statement/ prospectus is qualified in its entirety by reference to the full text of the opinion. **Deutsche Banc Alex. Brown provided its opinion for the information and assistance of Tweeter's board of directors in connection with its consideration of the merger agreement and the merger. The opinion of Deutsche Banc Alex. Brown is not a recommendation as to how any holder of Tweeter common stock should vote on any matter relating to the merger. We urge you to read the opinion in its entirety.**

In deciding to approve the merger, the Sound Advice board of directors considered opinions from its financial advisor and various other factors described below in *The Merger - Sound Advice's Reasons for the Merger and Recommendation of Sound Advice's Board of Directors*.

On May 31, 2001, U.S. Bancorp Piper Jaffray, Sound Advice's financial advisor in connection with the merger, delivered its oral opinion, subsequently confirmed in writing, to the Sound Advice board that, as of that date, the merger consideration under the merger agreement was fair, from a financial point of view, to the stockholders of Sound Advice. The full text of the written opinion of U.S. Bancorp Piper Jaffray, which sets forth assumptions made, matters considered and limitations on the review undertaken in connection with the opinion, is attached as Appendix F. **U.S. Bancorp Piper Jaffray provided its opinion for the information and assistance of Sound Advice's board of directors in connection with its consideration of the merger agreement and the merger. The opinion of U.S. Bancorp Piper Jaffray is not a recommendation as to how any holder of Sound Advice common stock should vote on any matter relating to the merger. We urge you to read the opinion in its entirety. See *The Merger - Opinion of Sound Advice's Financial Advisor*.**

INTERESTS OF SOUND ADVICE'S MANAGEMENT AND TWEETER'S MANAGEMENT IN THE MERGER AND POTENTIAL CONFLICTS OF INTEREST (Page 52)

Sound Advice

When considering the recommendation of the Sound Advice board that Sound Advice stockholders vote to approve the merger agreement and the merger, Sound Advice stockholders should be aware that some directors and officers have interests in the merger that are different from, or in addition to, those of other Sound Advice stockholders. These interests include:

Employment Agreements:

Each of Peter Beshouri and Michael Blumberg, directors and executive officers of Sound Advice, has an employment agreement with Sound Advice that provides him with a severance package equal to three times his base salary plus three times his most recent annual bonus. These severance benefits are triggered if, among other things, the officer gives Sound Advice notice that he is terminating employment upon a change of control, provided that he continues to be employed by Sound Advice until the effective date of the change of control. If Messrs. Beshouri and Blumberg were to terminate their employment in connection with the merger under these agreements, they would be entitled to severance payments of \$3,000,000 and \$1,575,000, respectively.

Tweeter has negotiated new employment arrangements with Messrs. Beshouri and Blumberg to induce them to remain with Sound Advice following the merger. Under these new arrangements, Messrs. Beshouri and Blumberg have agreed to relinquish the payments potentially due under their existing agreements with Sound Advice in consideration of Tweeter's making payments of \$1,000,000 to Mr. Beshouri and \$800,000 to Mr. Blumberg at the effective time of the merger.

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The employment agreements Tweeter will enter into with Messrs. Beshouri and Blumberg are for two years and one year, respectively. The employment agreements provide that Mr. Beshouri will receive a salary of \$400,000 per year and a signing bonus of \$100,000, and Mr. Blumberg will receive a salary of \$250,000 per year and a signing bonus of \$50,000. Each of Messrs. Beshouri and Blumberg has the opportunity to participate in Tweeter's bonus and incentive plans. Messrs. Beshouri and Blumberg also are eligible to receive annual bonuses, in the sole discretion of Tweeter. In addition, Mr. Beshouri will be granted options to purchase an aggregate of 30,000 shares of Tweeter common stock, and Mr. Blumberg will be granted options to purchase an aggregate of 20,000 shares of Tweeter common stock, under Tweeter's 1998 Stock Option and Incentive Plan. If Mr. Beshouri is a director of Tweeter when he is not an employee, he will be eligible for any option grants made to Tweeter's non-employee directors.

The employment agreements provide for continued employment until termination by either party. Tweeter, however, may terminate either employment agreement with or without cause at any time. If either executive's employment is terminated by Tweeter without cause or the executive terminates his employment for good reason, Tweeter is obligated to continue to pay the applicable executive an amount equal to his salary for one year or, in the case of Mr. Beshouri, his salary to the second anniversary of his employment agreement, if later.

Each of Kenneth L. Danielson and Christopher O'Neil, executive officers of Sound Advice, has an employment agreement with Sound Advice providing for severance payments that are triggered upon essentially the same events, and payable in the same ratios to salary and bonus, as the existing agreements of Messrs. Beshouri and Blumberg described above. If Messrs. Danielson and O'Neil were to terminate their employment in connection with the merger under these agreements, they would each be entitled to severance payments of \$1,140,000. Messrs. Danielson and O'Neil each have agreed to reduce the amounts payable to them under these agreements on account of the merger to \$500,000.

Non-Competition Agreements:

Tweeter also has agreed to pay \$1,900,000 to Mr. Beshouri and \$725,000 to Mr. Blumberg as consideration for entering into new noncompetition agreements with Tweeter. Tweeter also has agreed to pay \$640,000 to each of Messrs. Danielson and O'Neil as consideration for entering into new noncompetition agreements with Tweeter.

Tweeter has agreed that any rights to indemnification for acts or omissions occurring prior to the merger effective date existing in favor of the current or former directors or officers of Sound Advice and its subsidiaries as of the date

of the merger agreement shall continue in full force and effect in accordance with their terms. Tweeter has agreed to maintain in effect Sound Advice's current director's and officer's liability insurance policy, or provide a comparable policy, for the next six years.

Tweeter has increased the size of its board to create one vacancy and has agreed to nominate Peter Beshouri, the president and chief executive officer of Sound Advice, for election to the board, effective upon the closing of the merger, with an initial term expiring at Tweeter's annual meeting of stockholders to be held in 2004.

Tweeter

Samuel Bloomberg, the chairman of the board of Tweeter, and his wife Carolina currently own 10,000 shares of Sound Advice common stock, which they acquired between November 1997 and January 1998. Also, each of the Samuel Bloomberg Trust d/t/d 10/ 26/ 95 FBO Joshua Bloomberg and the Samuel Bloomberg Trust d/t/d 10/ 26/ 95 FBO Mikaela Bloomberg owns 15,000 shares of Sound Advice common stock, which was acquired in January 1998 and February 1998. Jeffrey Bloomberg, a director of Tweeter and Samuel Bloomberg's brother, Margaret Biller, Samuel Bloomberg's sister-in-law, and Carolina Bloomberg, Samuel Bloomberg's wife, are the trustees of both trusts.

As a result of Mr. Bloomberg's, his wife's and the trusts' ownership of shares of Sound Advice, they will receive shares of Tweeter common stock in the merger. Tweeter stockholders should consider whether this might have influenced Mr. Bloomberg's decision to approve the merger agreement and recommend that Tweeter's stockholders approve the issuance of Tweeter common stock in the merger.

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MATERIAL FEDERAL INCOME TAX CONSIDERATIONS (Page 55)

The merger is intended to qualify as a reorganization within the meaning of Section 368(a) of the Internal Revenue Code. If the merger so qualifies, a Sound Advice stockholder will not recognize gain or loss for U.S. federal income tax purposes on the exchange of Sound Advice common stock for Tweeter common stock under the merger, except to the extent he receives any cash in lieu of a fractional share of Tweeter common stock. Tweeter stockholders will not recognize gain or loss for U.S. federal income tax purposes as a result of the merger. Counsel to Tweeter and to Sound Advice will opine, subject to some assumptions and based on some representations of fact, that the merger will constitute a reorganization within the meaning of Section 368(a) of the Internal Revenue Code. The material U.S. federal income tax consequences of the merger to Sound Advice stockholders are described below under the heading Material Federal Income Tax Considerations.

GOVERNMENTAL APPROVALS AND REGULATORY REQUIREMENTS

Other than compliance with applicable federal and state securities laws in connection with the issuance of Tweeter common stock under the merger, compliance with the Hart-Scott-Rodino Antitrust Improvements Act of 1976, and compliance with applicable provisions of the Delaware General Corporation Law and the Florida Business Corporation Act, no federal or state regulatory requirements must be complied with in order to complete the merger.

STOCKHOLDERS' DISSIDENTERS' RIGHTS (Page 57)

Under Delaware law, Tweeter stockholders are not entitled to appraisal rights in connection with the merger.

Under Florida law, Sound Advice stockholders are not entitled to appraisal rights in connection with the merger.

CONDITIONS TO COMPLETION OF THE MERGER (Page 67)

The obligations of Tweeter and Sound Advice to complete the merger are subject to the prior satisfaction or waiver of conditions specified in the merger agreement. Both Tweeter's and Sound Advice's obligations to complete the merger are subject to, among other things, approval by the Tweeter stockholders of the issuance of shares in the merger and approval by the Sound Advice stockholders of the merger agreement and the merger.

Additional conditions to each party's obligation to complete the merger include:

the accuracy of the other party's representations and warranties;

the absence of any material adverse effect on the other party;

the other party's material performance of its obligations under the merger agreement;

the receipt of a written opinion from the other party's counsel; and

the absence of specified types of litigation related to the merger.

The foregoing is only a brief summary of some of the conditions to completion of the merger. The merger will not occur unless and until all of the conditions to the merger are satisfied or waived.

TERMINATION OF THE MERGER AGREEMENT (Page 69)

Tweeter and Sound Advice can agree at any time prior to completing the merger to terminate the merger agreement. Also, either of Tweeter or Sound Advice can decide to terminate the merger agreement:

if the merger has not been completed on or before December 31, 2001;

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if the aggregate daily closing price of Tweeter's common stock as reported by Nasdaq for the five business days ending two days before the effective date of the merger is less than \$18 per share; or

for other reasons described on page 69 under the heading "The Merger Agreement - Termination of the Merger Agreement."

TERMINATION FEE (Page 70)

Sound Advice has agreed to pay Tweeter a termination fee of \$4 million if the merger agreement terminates under the circumstances that are described on page 70 under "The Merger Agreement - Termination Fee."

NO-SOLICITATION OF TRANSACTIONS AND OTHER RESTRICTIONS (Page 66)

The merger agreement prohibits Sound Advice from soliciting or, subject to limited exceptions, participating in discussions with third parties with respect to alternative transactions that may prevent the merger. In addition, Sound Advice must provide Tweeter with information concerning any alternative transactions.

In some circumstances, however, if the Sound Advice board determines that it is required by its fiduciary duty to do so, it may be entitled to withdraw its recommendation that the Sound Advice stockholders approve the merger and the merger agreement and to cause the merger agreement to be terminated.

CONDUCT OF TWEETER AND SOUND ADVICE BEFORE THE MERGER (Page 63)

Sound Advice has agreed that it and its subsidiaries will carry on their business in the usual, regular and ordinary course of business. Tweeter and Sound Advice have agreed to various additional and specific covenants regarding the operating of their respective businesses pending the merger.

OTHER TWEETER PROPOSALS (Page 115)

Tweeter is also presenting proposals to its stockholders at the Tweeter special meeting to:

elect Peter Beshouri to the board of directors of Tweeter, effective upon the closing of the merger, with an initial term expiring at Tweeter's annual stockholders meeting to be held in 2004;

approve Tweeter's 1998 Stock Option and Incentive Plan, in order to maintain the plan's eligibility for exemption from the limits on deductibility of compensation set forth in Section 162(m) of the Internal Revenue Code of 1986; and

approve an amendment to Tweeter's 1998 Stock Option and Incentive Plan increasing the number of shares available for issuance under the plan.

The Tweeter board of directors unanimously recommends that Tweeter stockholders vote in favor of each of the foregoing proposals.

TRADEMARKS AND SERVICE MARKS

Tweeter, etc., Bryn Mawr Stereo, Dow Stereo/ Video, Audio Video and a Boatload of Know How are federally registered trademarks, and HiFi Buys, Home Entertainment, United Audio, Douglas TV, and Big Screen City are trademarks or servicemarks claimed by Tweeter and its subsidiaries and related entities.

Sound Advice has registered the Sound Advice name in the State of Florida and Showcase Home Entertainment in the state of Arizona, but not with the United States Patent and Trademark Office. Sound Advice is not aware of any adverse claims regarding the use of the name Sound Advice or Showcase Home Entertainment in the jurisdictions in which Sound Advice uses those names.

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This joint proxy statement/prospectus may contain other trade names, trademarks and service marks of Tweeter, Sound Advice and of other companies.

DIVIDEND INFORMATION

Neither Tweeter nor Sound Advice has ever paid any cash dividends on its stock, and Tweeter anticipates that, following the merger, it will continue to retain any earnings for the foreseeable future for use in the operation of its business.

FORWARD-LOOKING STATEMENTS IN THIS JOINT PROXY STATEMENT/ PROSPECTUS

This joint proxy statement/prospectus contains forward-looking statements within the safe harbor provisions of the Private Securities Litigation Reform Act of 1995 with respect to Tweeter's and Sound Advice's financial condition,

results of operations and business and the expected impact of the merger on Tweeter's financial performance. Words such as anticipates, expects, intends, plans, believes, seeks, estimates and similar expressions indicate forward-looking statements, including those relating to the proposed merger. These forward-looking statements are not guarantees of future performance and are subject to risks and uncertainties that could cause actual results to differ materially from the results contemplated by the forward-looking statements. In evaluating the merger, you should carefully consider the discussion of risks and uncertainties in the section entitled "Risk Factors" beginning on page 17. You are cautioned not to place undue reliance on these forward looking statements, which reflect the views of Tweeter's or Sound Advice's management only as of the date of this joint proxy statement/prospectus. Neither Tweeter nor Sound Advice undertakes any obligation to update these statements or publicly release the results of any revisions to the forward-looking statements that they may make to reflect events or circumstances after the date of this joint proxy statement/ prospectus or to reflect the occurrence of unanticipated events.

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TWEETER SELECTED HISTORICAL CONSOLIDATED FINANCIAL DATA

(In thousands, except per share and number of stores data)

Set forth below is selected financial and operating data for each of the five years ended September 30, 2000, and for the six months ended March 31, 2000 and March 31, 2001, respectively. The selected statement of operations and balance sheet data for each of the five years ended September 30, 2000 have been derived from financial statements of Tweeter, which have been audited by its independent auditors. The financial data for the six months ended March 31, 2000 and March 31, 2001 has been derived from unaudited financial statements of Tweeter and reflects all adjustments, consisting only of normal recurring accruals, that Tweeter considers necessary for a fair presentation of the financial position and results of operations for this period. Results for the six-month period ended March 31, 2001 may not be indicative of results for the entire year. The information set forth below should be read in conjunction with

Tweeter's Management's Discussion and Analysis of Financial Condition and Results of Operations and Tweeter's Consolidated Financial Statements and the Notes thereto incorporated by reference into this joint proxy statement/prospectus.

Fiscal Year Ended September 30,	Six Months Ended March 31,
<u>1996</u>	<u>1999</u>
<u>1997</u>	<u>2000</u>
<u>1998</u>	<u>2001</u>
<u>1999</u>	<u>2000</u>
<u>2000</u>	<u>2001</u>

Statement of Operations:

Total revenue	\$80,607	\$132,525	\$232,273	\$283,083	\$404,729	\$209,586	\$279,801
Cost of sales	51,816	86,315	151,265	182,748	256,449	132,060	177,542

Gross profit							
28,791	46,210	81,008	100,335	148,280	77,526	102,259	
Selling expenses							
21,993	35,568	56,907	69,225	101,672			