

TWEETER HOME ENTERTAINMENT GROUP INC

Form DEF 14A

January 05, 2006

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, DC 20549
SCHEDULE 14A
(Rule 14a-101)
SCHEDULE 14A INFORMATION
Proxy Statement Pursuant to Section 14(a) of the Securities
Exchange Act of 1934**

Filed by the Registrant x
Filed by a Party other than the Registrant o
Check the appropriate box:

- o Preliminary Proxy Statement
- o Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))
- x Definitive Proxy Statement
- o Definitive Additional Materials
- o Soliciting Material Pursuant to §240.14a-12

Tweeter Home Entertainment Group, 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):

- x No fee required.
- o 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:
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 - (1) Amount Previously Paid:
 - (2) Form, Schedule or Registration Statement No.:
 - (3) Filing Party:

(4) Date Filed:

TWEETER HOME ENTERTAINMENT GROUP, INC.
40 Pequot Way
Canton, MA 02021

Dear Stockholder:

You are cordially invited to attend Tweeter Home Entertainment Group, Inc.'s (Tweeter) annual meeting of stockholders on January 31, 2006. The meeting will begin promptly at 10:30 AM at the offices of Goulston & Storrs, P.C., 400 Atlantic Avenue, Boston, Massachusetts.

The official Notice of Meeting, proxy statement and form of proxy are included with this letter. The matters listed in the Notice of Meeting are described in detail in the proxy statement. This year we are asking stockholders to elect two Directors and to approve the selection of Tweeter's accountants.

The vote of every stockholder is important. Whether or not you expect to attend the meeting in person, you are urged to submit your proxy as soon as possible. You may submit your proxy (1) over the Internet, (2) by telephone, or (3) by signing, dating, and returning the enclosed proxy card and mailing it in the postage-prepaid envelope provided. The Board of Directors and management look forward to greeting those stockholders who are able to attend.

Sincerely,

Joseph McGuire
President and Chief Executive Officer

TWEETER HOME ENTERTAINMENT GROUP, INC.

40 Pequot Way

Canton, MA 02021

January 5, 2006

NOTICE OF ANNUAL MEETING OF STOCKHOLDERS

The annual meeting of stockholders (the Annual Meeting) of Tweeter Home Entertainment Group, Inc. will be held at the offices of Goulston & Storrs, P.C., 400 Atlantic Avenue, Boston, Massachusetts, on January 31, 2006, at 10:30 AM, for the following purposes:

1. To elect two Directors, each to serve for a three-year term or until the election and qualification of their respective successors.
2. To act upon the approval of the designation of Deloitte & Touche LLP to audit the books, records and accounts of Tweeter for fiscal year 2006.
3. To consider and act upon all other matters which may properly come before the Annual Meeting or any adjournment or adjournments thereof.

The Board of Directors has set the close of business on Friday, December 16, 2005, as the record date for the purpose of determining the stockholders entitled to notice of, and to vote at, the Annual Meeting or any adjournment thereof, and only stockholders of record on that date will be entitled to notice of and to vote at said meeting.

Whether or not you plan to attend the meeting, please fill in, date, sign and return the enclosed proxy promptly in the return envelope provided. Alternatively, if you have shares registered directly with Tweeter's transfer agent, Computershare, you may choose to vote those shares via the Internet at Computershare's voting Web site (<http://www.eproxyvote.com/twtr>), or you may vote telephonically, within the U.S. and Canada only, by calling Computershare at 1-877-779-8683 (toll free). If you hold Tweeter shares with a broker or bank, you may also be eligible to vote via the Internet or to vote telephonically if your broker or bank participates in the proxy-voting program provided by ADP Investor Communication Services. If your Tweeter shares are held in an account with a broker or bank participating in the ADP Investor Communication Services program, you may be able to vote those shares via the Internet at ADP Investor Communication Services' voting Web site (www.proxyvote.com) or telephonically by calling the telephone number shown on your voting form. See Voting Via the Internet or By Telephone in the proxy statement for further details. You are cordially invited to attend the meeting.

By Order of the Board of Directors,

Joseph McGuire
Chief Executive Officer

TWEETER HOME ENTERTAINMENT GROUP, INC.
PROXY STATEMENT

This proxy statement is furnished in connection with the solicitation of proxies on behalf of the Board of Directors of Tweeter Home Entertainment Group, Inc. (Nasdaq: TWTR) for the annual meeting of stockholders to be held on January 31, 2006. Only stockholders of record at the close of business on December 16, 2005 are entitled to notice of and to vote at the meeting. On or about January 5, 2006, the proxy statement and form of proxy will be sent to all stockholders of record.

Returning your completed proxy will not prevent you from voting in person at the meeting should you be present and wish to do so.

Unless contrary instructions are indicated on the proxy, all valid proxies received pursuant to this solicitation (and not revoked before they are voted) will be voted FOR the election of the nominees for Director named herein and FOR the approval of the designation of Deloitte & Touche LLP to audit Tweeter's books, records and accounts for fiscal year 2006. If a stockholder specifies a different choice on the proxy, such stockholder's shares of common stock will be voted in accordance with such specifications.

Any person giving a proxy in the form accompanying this proxy statement has the power to revoke it at any time before its exercise. A proxy may be revoked by filing with Tweeter's Secretary an instrument revoking it, by presenting an executed proxy bearing a later date at the Annual Meeting, or by attending the Annual Meeting and voting in person.

The cost of soliciting proxies will be borne by Tweeter. Solicitations may be made by mail, personal interview, telephone and/or telegram by Tweeter's Directors, officers and employees, without additional compensation for such solicitation activities. Tweeter will make arrangements with its transfer agent, Computershare, to forward solicitation material to the beneficial owners of Tweeter's common stock held of record. Tweeter will reimburse banks, brokerage firms, other custodians, nominees and fiduciaries for reasonable expenses incurred in sending proxy material to beneficial owners of common stock held in their respective names.

Tweeter has retained the services of a proxy solicitation firm, The Altman Group, Inc., for a fee of \$4,500 plus reasonable out of pocket expenses.

Copies of Tweeter's 2005 Annual Report are being mailed to stockholders together with this proxy statement. The Annual Report contains Tweeter's financial statements for the fiscal years ended September 30, 2005, September 30, 2004 and September 30, 2003.

VOTING SECURITIES

Holders of record of Tweeter's common stock at the close of business on Friday, December 16, 2005 (the Record Date) have the right to receive notice of and to vote at the Annual Meeting and any adjournments of the meeting. At the Record Date, there were 24,775,472 shares of common stock issued and outstanding. Each share of common stock entitles the holder of that share to one vote on each matter submitted to a vote at the Annual Meeting.

Under Tweeter's bylaws, the presence, in person or by proxy, of stockholders holding a majority in interest of the issued and outstanding shares of common stock entitled to vote at the Annual Meeting is necessary to constitute a quorum. Abstentions and broker non-votes are each included for purposes of determining the presence or absence of a sufficient number of shares to constitute a quorum for the transaction of business. With respect to the approval of any particular proposal, abstentions and broker non-votes are not counted in determining the number of votes cast. Other than the election of Directors, which requires a plurality of the votes cast in person or by proxy, each matter to be submitted to the stockholders requires the affirmative vote of a majority of the votes cast in person or by proxy at the meeting.

Proposal 1: Election of Directors**Nominees for Director, Directors Continuing in Office and Executive Officers**

Tweeter's bylaws provide for a Board of Directors consisting of such number of Directors as may be fixed from time to time by the Board. The Board is divided into three classes, with each class holding office for a term of three years and the term of office of one class expiring each year. The Board has fixed the number of Directors to constitute the full Board for the ensuing year at seven, two of whom are to be elected at the Annual Meeting for a term expiring at the 2009 annual meeting of stockholders, two whose terms expire at the 2008 annual meeting of stockholders, and three whose terms expire at the 2007 annual meeting of stockholders. Samuel Bloomberg, a Director since 1972 and Michael Cronin, a Director since 1995 are in the class of Directors whose term expires at the 2006 Annual Meeting. The Board, upon recommendation of Tweeter's Nominating Committee, has nominated Mr. Bloomberg and Mr. Cronin for election to the class of Directors whose term will expire in 2009.

The persons named as proxies in the proxy card will vote the shares represented by your proxy for the election of Mr. Bloomberg and Mr. Cronin as Directors unless your proxy card specifies otherwise. If either of the nominees for election to the Board should, for any reason not now anticipated, not be available to serve as a Director, the persons named as proxies will vote the shares for such other candidate as may be designated by the Board, unless the Board reduces the number of Directors constituting the full Board in order to eliminate the vacancy. The Board has no reason to believe that Mr. Bloomberg and Mr. Cronin will be unable to serve if elected.

The table below sets forth certain information with respect to the nominees for election to the Board of Directors, those Directors whose terms of office will continue after the Annual Meeting and Tweeter's Executive Officers.

Name and Age	Principal Occupation, Business Experience and Other Business Affiliations	First Elected Director	Expiration of Current or Proposed Term of Office
Samuel Bloomberg, 54	Director and Chairman of the Board of Tweeter. Mr. Bloomberg has served as Chairman of the Board since 1986 and served as the Chief Executive Officer from 1983 until 2000. Mr. Bloomberg is a co-founder of Tweeter. Mr. Bloomberg is also a Director of PRO, the buying group of specialty consumer electronics retailers of which Tweeter is a member. Mr. Bloomberg and Jeffrey Bloomberg are brothers.	1972	2009

Name and Age	Principal Occupation, Business Experience and Other Business Affiliations	First Elected Director	Expiration of Current or Proposed Term of Office
Jeffrey Bloomberg, 58	Director of Tweeter. In 2001, Mr. Bloomberg joined Gordon Brothers Group LLC in the Office of the Chairman. Gordon Brothers assists retail and consumer goods companies in monetizing under-performing assets. From 1994 to 2001, Mr. Bloomberg served as the President of Bloomberg Associates, Inc., an investment banking company. From 1985 to 1993, Mr. Bloomberg served as a Senior Managing Director at Bear Stearns & Co., Inc., specializing in corporate finance and mergers and acquisitions. Mr. Bloomberg serves as Chairman of Big League Broadcasting, LLC, which operates sports talk radio stations in Atlanta, Georgia and St. Louis, Missouri. Mr. Bloomberg also serves as a Director for Nortek, Inc. Mr. Bloomberg and Samuel Bloomberg are brothers.	1989	2007
Matthew Bronfman, 46(1)(2)(3)(4)	Director of Tweeter. Since 2001 Mr. Bronfman has been a managing director at ACI Capital, a private equity firm. Mr. Bronfman founded, and from 1994 to 2001, served as Chairman and Chief Executive Officer, of Perfumes Isabel, a fragrance and gift company. In 1990, Mr. Bronfman served as Director, and from 1991 to 1994 Mr. Bronfman served as Chairman and Chief Executive Officer, of Sterling Cellular Holdings, LP, a privately held cellular telephone company. Mr. Bronfman also serves as Chairman of Blue Square-Israel Ltd.	1989	2008
Michael Cronin, 52(2)(3)(4)	Director of Tweeter. From 1991 to the present Mr. Cronin has served as Managing Partner of Weston Presidio, a management company for several venture capital limited liability partnerships. Mr. Cronin serves as a Director of Tivoli Audio, LLC, a supplier to Tweeter. Mr. Cronin also serves as a Director of Amscan Holdings, Inc., Nebraska Books, Inc., Teknplex, Inc. and several privately held companies.	1995	2009

Name and Age	Principal Occupation, Business Experience and Other Business Affiliations	First Elected Director	Expiration of Current or Proposed Term of Office
Steven Fischman, 63(1)(3)(4)	Director of Tweeter. Since 1992, Mr. Fischman has been the President of New England Development (NED), a regional mall developer based in New England. From 1996 to August 1999, Mr. Fischman also served as a Managing Director of the General Partner of Wells Park Group Limited Partnership, a mall management company formed by NED and an unrelated partner. Prior to joining NED, Mr. Fischman was a Director and shareholder in the Boston law firm of Goulston & Storrs, P.C., Tweeter's legal counsel. Mr. Fischman is a Director of Partners Healthcare System and is also Chairman of the Board of Trustees of Newton-Wellesley Hospital.	1998	2008
John Mahoney, 54(1)(4)	Director of Tweeter. Mr. Mahoney has served as Chief Financial Officer of Staples, Inc. since 1996. In 1997 Mr. Mahoney was promoted to Executive Vice President and Chief Administrative Officer. Prior to joining Staples, Mr. Mahoney was a Partner with Ernst & Young for 20 years and served on their National Office Accounting and Auditing group. Mr. Mahoney currently serves on the board of ADVO, Inc.	2004	2007
Jeffrey Stone, 48	Director of Tweeter. In April 2005 Mr. Stone became the President and Chief Operating Officer of Tivoli Audio, LLC, a supplier to Tweeter. Mr. Stone served as the Chief Operating Officer of Tweeter from 1990 to 2000, and as President and Chief Executive Officer from January 2000 to March 2005. From 1987 to 1990 Mr. Stone served as the Executive Vice President of Bread & Circus, a specialty natural foods supermarket chain, and from 1983 to 1987 served as Vice President of Human Resources and Training for Scandinavian Design, a specialty furniture retailer. Mr. Stone is also on the Board of Directors of two privately held companies.	1990	2007

Name and Age	Principal Occupation, Business Experience and Other Business Affiliations	First Elected Director	Expiration of Current or Proposed Term of Office
Joseph McGuire, 45	Mr. McGuire has served as Tweeter's President and Chief Executive Officer since July 2005. Prior to this, Mr. McGuire had served as Senior Vice President from July 2001 and Chief Financial Officer from May 1996. From May 1996 to June 2001, Mr. McGuire also served in the capacities of Vice President and Chief Information Officer of Tweeter. Prior to joining Tweeter, Mr. McGuire was the Chief Financial Officer of Bryn Mawr Radio & Television Centre, Inc., from 1987 to 1996.		

(1) Member of the Audit Committee.

(2) Member of the Compensation Committee.

(3) Member of the Nominating Committee.

(4) The Board of Directors has determined that these directors are independent as such term is defined under Rule 4200(a)(15) of the Nasdaq Stock Market Marketplace Rules.

GENERAL INFORMATION RELATING TO THE BOARD OF DIRECTORS

The Board of Directors

The Board of Directors held six meetings in the fiscal year ended September 30, 2005. No member of the Board of Directors attended less than 67% of the total number of meetings of the Board and committees thereof upon which he served during the fiscal year ended September 30, 2005.

Committees of the Board of Directors

The Board of Directors has an Audit Committee, consisting of John Mahoney, Matthew Bronfman and Steven Fischman, whose purpose is to oversee the accounting and financial reporting processes of the company and the audits of the financial statements of the company. The Audit Committee held six meetings during the fiscal year ended September 30, 2005. The Audit Committee appointed Deloitte & Touche LLP to serve as Tweeter's auditors for the fiscal year ending September 30, 2006, subject to stockholder approval. The Board of Directors has determined that John Mahoney is an Audit Committee financial expert, as that term is defined in Item 401 of Regulation S-K, serving on its Audit Committee. The full responsibilities of the Audit Committee are set forth in its charter, which is reviewed and updated annually and approved by the Board, and is attached hereto as Appendix A.

The Compensation Committee of the Board of Directors establishes and implements compensation policies and programs for Tweeter's executive officers and exercises all powers of the Board of Directors in connection with Tweeter's incentive compensation and benefit plans. The Compensation Committee of the Board consists of Matthew Bronfman and Michael Cronin. The Compensation Committee held two meetings during the fiscal year ended September 30, 2005.

On December 11, 2003, the Board of Directors established a Nominating Committee, consisting of Michael Cronin, Matthew Bronfman and Steven Fischman, whose purpose is to assist the Board in identifying individuals qualified to become directors under criteria approved by the Board, periodically review director compensation and benefits and recommend to the Board any improvements to Tweeter's corporate governance guidelines as it deems appropriate. The Nominating Committee held one meeting during the fiscal year ended September 30, 2005 and assisted with the selection of persons nominated by the Board for election at this year's Annual Meeting. The full responsibilities of the Nominating Committee are set forth in its charter, which is reviewed and updated annually and approved by the Board, and is attached hereto as Appendix B.

It is a policy of the Nominating Committee that candidates for director be determined to have unquestionable integrity and honesty, the ability to exercise sound, mature and independent business judgment in the best interests of the stockholders as a whole, a background and experience in fields which will complement the talents of the other Board members, the willingness and capability to take the time to actively participate in Board and committee meetings and related activities, the ability to work professionally and effectively with other Board members and Tweeter management, the ability to remain on the Board long enough to make an effective contribution, and no material relationships with competitors or other third parties that could present realistic possibilities of conflict of interest or legal issues.

The Nominating Committee also considers the Board's current composition and Tweeter's evolving needs, including expertise, diversity and balance of inside, outside and independent directors. In compiling its list of possible candidates and considering their qualification, the Nominating Committee makes its own inquiries, solicits input from other directors, and may consult or engage other sources, such as a professional search firm, if it deems appropriate.

The Nominating Committee will consider director candidates recommended by stockholders provided the stockholders follow the procedures set forth below. The committee does not intend to alter the manner in which it evaluates candidates, including the criteria set forth above, based on whether the candidate was recommended by a stockholder or otherwise.

Stockholders who wish to recommend individuals for consideration by the nominating committee to become nominees for election to the Board of Directors at the next Annual Meeting of Stockholders may do so by submitting a written recommendation to the committee, care of Tweeter, at 40 Pequot Way, Canton, MA 02021, Attention: Joseph McGuire, in accordance with the procedures set forth below under the heading **Deadline for Receipt of Stockholder Proposals**. For nominees for election to the Board of Directors proposed by stockholders to be considered, the following information concerning each nominee must be timely submitted in accordance with the required procedures:

The candidate's name, age, business address, residence address, principal occupation or employment, the class and number of shares of Tweeter's capital stock the candidate beneficially owns, a brief description of any direct or indirect relationships with Tweeter, and the other information that would be required in a proxy statement soliciting proxies for the election of the candidate as a director;

A signed consent of the nominee to being named as a nominee, to cooperate with reasonable background checks and personal interviews and to serve as a director of Tweeter, if elected; and

As to the stockholder proposing such nominee, that stockholder's name and address, the class and number of shares of Tweeter's capital stock the stockholder beneficially owns, a description of all arrangements or understandings between the stockholder and the candidate and any other person or persons (including their names) pursuant to which the recommendation is being made, a list of all other companies that the stockholder has recommended the candidate to for election as a director in that fiscal year, and a representation that the stockholder intends to appear in person or by proxy at the meeting to nominate the person named in its notice.

Compensation of Directors

Tweeter currently pays each non-employee Director \$5,000 per quarter, provided such Director attends a meeting of the Directors scheduled for such quarter either in person or by telephone. The amount is not pro rated if a Director does not attend all meetings. All Directors are reimbursed for reasonable expenses incurred in attending meetings, but are not paid a per meeting fee. In addition to the quarterly payment, members of the Audit Committee are paid \$2,000 per meeting of the Audit Committee and members of the Compensation Committee are paid \$500 per meeting of the Compensation Committee. In fiscal 2003, each Director was given stock options in lieu of cash payments for any compensation due for the period from April 2003 through March 2004. Under current Director compensation arrangements, upon each subsequent election or re-election, each Director who is not also an employee or affiliate of Tweeter is granted options under Tweeter's 2004 Long-Term Incentive Plan exercisable for the purchase of 5,000 shares of common stock, with an exercise price of equal to or greater than the fair market value of the common stock at the date of grant. These options vest upon grant. A sitting Director will receive annual grants of 5,000 shares each year of his or her term, with an exercise price equal to or greater than the fair market value of the common stock on the date of the grant. These options vest upon grant.

Board of Directors Recommendation

THE BOARD OF DIRECTORS RECOMMENDS THAT YOU VOTE FOR THE ELECTION OF THE BOARD'S NOMINEES, SAMUEL BLOOMBERG AND MICHAEL CRONIN. A PLURALITY OF THE VOTES CAST IN PERSON OR BY PROXY AT THE ANNUAL MEETING IS REQUIRED TO ELECT EACH NOMINEE AS DIRECTOR.

Security Ownership of Certain Beneficial Owners and Management

The following table sets forth certain information regarding the beneficial ownership of Tweeter's common stock as of the Record Date by (i) each person (including any group as that term is used in Section 13(d)(3) of the Securities Exchange Act of 1934, as amended (the Exchange Act)) known by Tweeter to be the beneficial owner of more than 5% of Tweeter's common stock, (ii) each of Tweeter's Named Executives (as defined below) and Directors, and (iii) all of Tweeter's executive officers and Directors as a group. Except as otherwise indicated in the footnotes to this table, Tweeter believes that the persons named in this table have sole voting and investment power with respect to all of the shares of common stock indicated.

Name	Common Stock Beneficially Owned(1) as of December 16, 2005	Percent of Class
Named Executive Officers		
Samuel Bloomberg*	1,867,320(2)	7.3
40 Pequot Way Canton, MA 02021		
Joseph McGuire	163,280(3)	**
40 Pequot Way Canton, MA 02021		
Philo Pappas	312,695(4)	1.3
40 Pequot Way Canton, MA 02021		
Judy Quye	253,632(5)	1.0
40 Pequot Way Canton, MA 02021		
Mark Richardson	105,695(6)	**
40 Pequot Way Canton, MA 02021		
Directors/ Director Nominees		
Michael Cronin	2,118,714(7)	8.5
200 Clarendon Street, 50th Floor Boston, MA 02116		
Jeffrey Stone	679,184(8)	2.7
451 D Street, Suite 902 Boston, MA 02210		
Jeffrey Bloomberg	358,101(9)	1.4
40 Broad Street, 11th Floor Boston, MA 02109		
Steven Fischman	201,300(10)	**
One Wells Avenue Newton, MA 02159		
Matthew Bronfman	167,186(11)	**
900 Third Avenue, 26th Floor New York, NY 10022		

Name	Common Stock Beneficially Owned(1) as of December 16, 2005	Percent of Class
John Mahoney 500 Staples Drive Framingham, MA 01702	12,500(12)	**
Directors and Executive Officers as a Group (11 people)	6,239,607(13)	23.2
Beneficial Owners of more than 5%		
Mark J. Wattles Wattles Capital Management, LLC 7945 W. Sahara #205 Las Vegas, Nevada 89117	3,013,247(14)	12.2
Prentice Capital Management, LP 623 Fifth Avenue, 32nd Floor New York, New York 10022	2,217,300(15)	8.9
State Street Research & Management Company One Financial Center, 31st Floor Boston, MA 02111-2690	2,180,672(15)	8.8
Weston Presidio Capital IV, L.P. and WPC Entrepreneur Fund II, L.P. Pier 1, Bay 2 San Francisco, CA 94111	2,045,100(16)	8.3
Dimensional Fund Advisors Inc. 1299 Ocean Avenue, 11th Floor Santa Monica, CA 90401	1,913,023(15)	7.7
Kern Capital Management, LLC 114 West 47th Street, Suite 1926 New York, NY 10036	1,894,200(15)	7.6
S.A.C. Capital Advisors LLC 72 Cummings Point Road Stamford, Connecticut 06902	1,513,900(15)	6.1
Royce & Associates, LLC 1414 Avenue of the Americas New York, NY 10019	1,379,500(15)	5.6
Galleon Management, L.L.C. 135 East 57th Street, 16th Floor New York, NY 10022	1,244,191(15)	5.0

Mr. Bloomberg is also a Director of Tweeter.

*

Represents less than 1% of class.

**

- (1) Includes the number of shares and percentage ownership represented by such shares determined to be beneficially owned by a person in accordance with the rules of the Securities and Exchange Commission. The number of shares beneficially owned by a person includes shares of common stock that are subject to options or warrants held by that person that are currently exercisable or exercisable within 60 days of the Record Date. Such shares are deemed outstanding for the purpose of computing the percentage of outstanding shares owned by such person. Such shares are not deemed outstanding, however, for the purposes of computing the percentage ownership of any other person.
- (2) Includes 67,025 shares held, in the aggregate by the Samuel Bloomberg Family Trusts for the benefit of Mr. Bloomberg's children and 14,454 shares held by Carolina Bloomberg, the wife of Mr. Bloomberg. Mr. Bloomberg expressly disclaims beneficial ownership of the shares held by the Samuel Bloomberg Family Trusts and Carolina Bloomberg. Also includes 749,375 shares subject to options granted by Tweeter to Mr. Bloomberg exercisable within 60 days of the Record Date.
- (3) Includes 134,815 shares subject to options granted by Tweeter to Mr. McGuire exercisable within 60 days of the Record Date.
- (4) Includes 150,695 shares subject to options granted by Tweeter to Mr. Pappas exercisable within 60 days of the Record Date. In addition, Mr. Pappas has entered into a pre-paid variable share forward agreement with CIBC World Markets Corp. with respect to 162,000 of his shares.

- (5) Includes 253,632 shares subject to options granted by Tweeter to Ms. Quye exercisable within 60 days of the Record Date.
- (6) Includes 105,695 shares subject to options granted by Tweeter to Mr. Richardson exercisable within 60 days of the Record Date.
- (7) Includes 2,045,100 shares held by Weston Presidio Capital IV, L.P. and WPC Entrepreneur Fund II, L.P. (collectively, the Weston Funds). Mr. Cronin is the managing member or partner of the general partners of the Weston Funds. Mr. Cronin disclaims beneficial ownership of the shares held by the Weston Funds, except to the extent of his pecuniary interest therein. Also includes 43,800 shares subject to options granted by Tweeter to Mr. Cronin exercisable within 60 days of the Record Date.
- (8) Includes 416,764 shares subject to options granted by Tweeter to Mr. Stone exercisable within 60 days of the Record Date.
- (9) Includes 22,896 shares held, in the aggregate, by trusts for the benefit of Mr. Bloomberg's children. Mr. Bloomberg expressly disclaims beneficial ownership of these shares. Also includes 39,000 shares subject to options granted by Tweeter to Mr. Bloomberg exercisable within 60 days of the Record Date.
- (10) Includes 157,500 shares held by NED Leasing LLC. Mr. Fischman owns 25% of the equity and is a manager of NED Leasing LLC. Mr. Fischman disclaims beneficial ownership of the shares held by NED Leasing LLC, except to the extent of his pecuniary interest therein. Also includes 43,800 shares subject to options granted by Tweeter to Mr. Fischman exercisable within 60 days of the Record Date.
- (11) Includes 133,968 shares subject to options granted by Tweeter to Mr. Bronfman exercisable within 60 days of the Record Date.
- (12) Includes 10,000 shares subject to options granted by Tweeter to Mr. Mahoney exercisable within 60 days of the Record Date.
- (13) Includes 2,081,544 shares in the aggregate subject to options granted by Tweeter to Tweeter's directors and executive officers exercisable within 60 days of the Record Date.
- (14) Information concerning beneficial ownership was obtained from Schedule 13D's filed in August 2005.
- (15) Information concerning beneficial ownership was obtained from Schedule 13G's filed in January 2005, February 2005, March 2005 and May 2005.
- (16) Information concerning beneficial ownership was obtained from a Form 4 filed by Mr. Cronin on August 2, 2004.

Section 16(a) Beneficial Ownership Reporting Compliance

Section 16(a) of the Securities Exchange Act of 1934, as amended (the Exchange Act), requires Directors, officers and persons who are beneficial owners of more than ten percent of Tweeter's common stock to file with the Securities and Exchange Commission reports of their ownership of Tweeter's securities and changes in that ownership. To Tweeter's knowledge, based upon a review of copies of reports so filed, all persons required to file such reports regarding ownership and transactions during the fiscal year ended September 30, 2005 did so by no later than the date the reports were due.

Executive Compensation

The following table sets forth the compensation earned by Tweeter's Chairman and each of the other executive officers of Tweeter (the "Named Executives") for services rendered in all capacities to Tweeter during fiscal 2003, 2004 and 2005:

Summary Compensation Table

Name and Principal Position	Year	Annual Compensation(1)		Long-Term Compensation		
		Salary	Bonus(2)	Restricted Stock Award	Securities Underlying Options	Other
Samuel Bloomberg Chairman of the Board	2005	\$ 445,000	\$	\$	30,695	\$
	2004(3)	\$ 229,615	\$	\$	10,000	\$
	2003(3)	\$ 284,423	\$	\$	480,000	\$
Jeffrey Stone President and Chief Executive Officer	2005(4)	\$ 405,000	\$ 46,800	\$	70,764	\$
	2004(3)	\$ 504,231	\$	\$	10,000	\$
	2003(3)	\$ 518,269	\$	\$	180,000	\$
Joseph McGuire President and Chief Executive Officer	2005(5)	\$ 410,000	\$ 43,800	\$	30,695	\$
	2004(3)	\$ 323,077	\$	\$	10,000	\$
	2003(3)	\$ 327,692	\$	\$	60,000	\$
Philo Pappas	2005	\$ 345,000	\$ 187,163			

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