



# **STURM, RUGER & Company, Inc.**

**Lacey Place, Southport, Connecticut 06490**

**Telephone: (203) 259-7843 · Fax: (203) 256-3367**

ALL RUGER FIREARMS ARE DESIGNED AND MANUFACTURED IN OUR OWN FACTORIES IN THE UNITED STATES OF AMERICA

## **NOTICE OF ANNUAL MEETING OF STOCKHOLDERS**

**May 6, 2003**

**NOTICE IS HEREBY GIVEN THAT** the Annual Meeting of Stockholders of **STURM, RUGER & COMPANY, INC.** (the "Company") will be held at the Lake Sunapee Country Club, 100 Country Club Lane, New London, New Hampshire 03257 on the 6th day of May, 2003 at 10:30a.m. to consider and act upon the following:

1. A proposal to elect eight (8) Directors to serve for the ensuing year;
2. A proposal to approve the appointment of KPMG LLP as the Company's independent auditors for the 2003 fiscal year; and
3. To transact such other business as may properly come before the Annual Meeting or any adjournment or postponement thereof.

Only holders of record of Common Stock at the close of business on March 19, 2003 will be entitled to notice of and to vote at the Annual Meeting or any adjournment or postponement thereof. The complete list of stockholders entitled to vote at the Annual Meeting shall be open to the examination of any stockholder, for any purpose germane to the Annual Meeting, during ordinary business hours, for a period of 10 days prior to the Annual Meeting, at the Company's offices located at 411 Sunapee Street, Newport, New Hampshire 03773.

The Company's Proxy Statement is attached hereto.

By Order of the Board of Directors

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Leslie M. Gasper  
Corporate Secretary

Southport, Connecticut  
March 26, 2003

All Stockholders are cordially invited to attend the Annual Meeting. If you do not expect to be present, please date, mark and sign the enclosed form of Proxy and return it to Computershare Investor Services LLC, P.O. Box A3800, Chicago, Illinois 60690-9608. A postage-paid envelope is enclosed for your convenience.

March 26, 2003

**STURM, RUGER & COMPANY, INC.  
LACEY PLACE, SOUTHPORT, CONNECTICUT 06890  
PROXY STATEMENT  
2003 ANNUAL MEETING OF THE STOCKHOLDERS**

This Proxy Statement is furnished in connection with the solicitation of proxies by the Board of Directors of Sturm, Ruger & Company, Inc. (the "Company") for use at the 2003 Annual Meeting of Stockholders (the "Meeting") of the Company to be held at 10:30 a.m. on May 6, 2003 at the Lake Sunapee Country Club, 100 Country Club Lane, New London, New Hampshire 03257 or at any adjournment or postponement thereof for the purposes set forth in the accompanying Notice of Annual Meeting of Stockholders. This Proxy Statement and enclosed proxy are first being sent to stockholders on or about March 26, 2003.

The mailing address of the principal executive office of the Company is Lacey Place, Southport, Connecticut 06890.

If the enclosed proxy is signed and returned, it will be voted in accordance with its terms. However, a stockholder of record may revoke his or her proxy before it is exercised by (i) giving written notice to the Company's Secretary at the Company's address indicated above, (ii) duly executing a subsequent proxy relating to the same shares and delivering it to the Company's Secretary at or before the Meeting, or (iii) attending the Meeting and voting in person (although attendance at the Meeting will not, in and of itself, constitute revocation of a proxy). All expenses in connection with the solicitation of these proxies will be borne by the Company.

The Annual Report of the Company for the year ended December 31, 2002, including financial statements, is enclosed herewith.

Only holders of Common Stock, \$1.00 par value, of the Company (the "Common Stock") of record at the close of business on March 19, 2003 will be entitled to vote at the Meeting. Each holder of record of the issued and outstanding shares of voting Common Stock is entitled to one vote per share. As of March 19, 2003, 26,910,720 shares of Common Stock were issued and outstanding and there were no outstanding shares of any other class of stock. The stockholders holding a majority of the issued and outstanding Common Stock, either present in person or represented by proxy, will constitute a quorum for the transaction of business at the Meeting. In accordance with the Company's by-laws and applicable law, the election of Directors will be determined by a plurality of the votes cast by the holders of shares present in person or by proxy and entitled to vote. Consequently, the eight nominees who receive the greatest number of votes cast for election as Directors will be elected. Shares present which are properly withheld as to voting with respect to any one or more nominees, and shares present with respect to which a broker indicates that it does not have authority to vote ("broker non-votes") will be counted as being present at the Meeting. However, these shares will not be counted as voting on the election of Directors, with the result that such abstentions and broker non-votes will have the same effect as votes against the election of Directors. The affirmative vote of shares representing a majority of the shares present and entitled to vote is required to approve the other proposal to be voted on at the Meeting. Shares which are voted to abstain on these matters and broker non-votes will be considered present at the Meeting but will not be counted as voting for these matters, with the result that abstention and broker non-votes will have the same effect as votes against the proposal.

## PROPOSAL NO. 1

### ELECTION OF DIRECTORS

Eight Directors will be elected at the Meeting, each to hold office until the next Annual Meeting of Stockholders and until his successor is elected and has qualified, which shall be two fewer Directors than were elected at the last Annual Meeting. William B. Ruger, founder of the Company and Chairman Emeritus, passed away on July 6, 2002. In addition, Stanley B. Terhune, a Director since 1975, has informed the Company of his decision to retire as a Director effective May 6, 2003. On February 19, 2003, the Board amended the Company's By-Laws to reduce the number of Directors to eight, effective on May 6, 2003.

All of the eight nominees for Director listed below were elected at the last Annual Meeting. If no contrary instructions are indicated, proxies will be voted for the election of the nominees for Director. Should any of the said nominees for Director not remain a candidate at the time of the Meeting (a condition which is not now anticipated), proxies solicited hereunder will be voted in favor of those nominees for Director selected by management of the Company. Directors shall be elected by a plurality of the votes of the shares present in person or represented by proxy at the Meeting and entitled to vote on the election of Directors.

The following table sets forth certain information concerning each nominee's age, principal occupation, other directorships in publicly-held corporations and the number and percentage of shares of Common Stock of the Company beneficially owned by such nominee as of February 1, 2003.

<u>Name</u>	<u>Age</u>	<u>Business Experience During the Past Five Years and Other Directorships</u>	<u>First Became a Director</u>	<u>Shares Beneficially Owned</u>	<u>Percent of Class</u>
William B. Ruger, Jr.	63	Chairman of the Board of Directors and Chief Executive Officer as of October 24, 2000. Prior thereto, Vice Chairman, Senior Executive Officer from July 18, 1995, and President and Chief Operating Officer from March 1, 1998. Governor, Sporting Arms & Ammunition Manufacturers' Institute, Trustee, St. Paul's School, the Salisbury School, the Wildlife Management Institute, and the Cody Firearms Museum of the Buffalo Bill Historical Society.	March, 1970	5,272,000 (1)	19.45%
Erle G. Blanchard	56	Vice Chairman, President, Chief Operating Officer and Treasurer as of October 24, 2000. Prior thereto, Vice President and Controller from March 1, 1996. Previously Vice President and Controller-Newport from March 11, 1993 to March 31, 1995. Trustee, Sugar River Savings Bank, Newport NH.	October, 2000	167,000 (2)	*

<u>Name</u>	<u>Age</u>	<u>Business Experience During the Past Five Years and Other Directorships</u>	<u>First Became a Director</u>	<u>Shares Beneficially Owned</u>	<u>Percent of Class</u>
Stephen L. Sanetti	53	Vice Chairman, Senior Executive Vice President and General Counsel as of October 24, 2000. Prior thereto, Vice President and General Counsel from March 11, 1993. Governor, National Shooting Sports Foundation and Hunting & Shooting Sports Heritage Foundation.	March, 1998	192,000 (3)	*
John M. Kingsley, Jr.	71	Director, Neurological Institute of New Jersey. Trustee, Brundge, Story and Rose Investment Trust. Retired as Executive Vice President of the Company on December 31, 1996.	April, 1972	19,160 (4)	*
Townsend Hornor	76	Director and Audit Committee member, Nickerson Lumber Company. Chairman, The National Marine Life Center. Former Senior Securities Analyst member of Boston and New York Societies of Securities Analysts. First Vice President and general partner of White Weld & Co., (investment bankers) 1952 to 1978. Former Director and Audit Committee member, Kollmorgen Corp. Former Director, Simon & Schuster, Ealing Corp., and Endeveco Corp. Trustee or director of various charitable organizations.	April, 1972	18,200 (5)	*
Richard T. Cunniff	80	Vice Chairman and Director of the Sequoia Fund, an investment company registered under the Investment Company Act of 1940. Vice Chairman and Principal of Ruane, Cunniff & Co., Inc., an investment advisor under the Investment Advisers Act of 1940.	December, 1986	40,500 (6)	*
Paul X. Kelley	74	Chairman, American Battle Monuments Commission (independent agency of the Executive Branch of the Federal government.) Partner, J.F. Lehman & Company (private investments). Former Vice Chairman, Cassidy & Associates, Inc. (government relations). Commandant of the United States Marine Corps and member of the Joint Chiefs of Staff from 1983 to 1987. Director, London Life Reinsurance Company (reinsurance), Park Place Entertainment Corporation (gaming hotels), Saul Centers, Inc. (real estate investment trust), and OAO Technology Solutions, Inc. (software development.)	April, 1990	17,000 (7)	*
James E. Service	72	Consultant, Invesmart (investment management). Commander, United States Naval Air Force, Pacific Fleet, from 1985 to 1987. Director of Wood River Medical Center, Ketchum, Idaho from 1992 to 1996.	July, 1992	16,000 (8)	*

\* Beneficial owner of less than 1% of the outstanding Common Stock of the Company.

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- (1) Includes 4,272,000 shares of Common Stock held in the name of Ruger Business Holdings, L.P., of which the William B. Ruger Revocable Trust of 1988 is the sole limited partner and Ruger Management, Inc. is the sole general partner. William B. Ruger, Jr. and Carolyn Ruger Vogel (son and daughter of William B. Ruger) are co-trustees of the William B. Ruger Revocable Trust of 1988. Ruger Management, Inc. is owned by William B. Ruger, Jr. and Carolyn R. Vogel. Mr. Ruger, Jr. and Mrs. Vogel have shared investment and voting control with respect to such 4,272,000 shares of Common Stock. Also includes 800,000 shares of Common Stock owned directly by Mr. Ruger, Jr. Mr. Ruger, Jr. has sole investment and voting control with respect to such 800,000 shares. Also includes 200,000 shares of Common Stock subject to options currently exercisable or which will become exercisable within 60 days of February 1, 2003 under the 1998 Stock Incentive Plan.
  - (2) Includes 7,000 shares of Common Stock held by Mr. Blanchard as trustee of a revocable trust for the benefit of Mr. Blanchard and his spouse. Also includes 160,000 shares of Common Stock subject to options currently exercisable or which will become exercisable within 60 days of February 1, 2003 under the 1998 Stock Incentive Plan.
  - (3) Includes 32,000 shares of Common Stock held directly by Mr. Sanetti. Also includes 160,000 shares of Common Stock options currently exercisable or which will become exercisable within 60 days of February 1, 2003 under the 1998 Stock Incentive Plan.
  - (4) Includes 4,160 shares of Common Stock held directly by Mr. Kingsley. Also includes 15,000 shares of Common Stock subject to options currently exercisable or which will become exercisable within 60 days of February 1, 2003 under the 2001 Stock Option Plan for Non-Employee Directors.
  - (5) Includes 3,200 shares of Common Stock held directly by Mr. Hornor. Also includes 15,000 shares of Common Stock subject to options currently exercisable or which will become exercisable within 60 days of February 1, 2003 under the 2001 Stock Option Plan for Non-Employee Directors.
  - (6) Includes 25,500 shares of Common Stock held directly by Mr. Cunniff. Also includes 15,000 shares of Common Stock subject to options currently exercisable or which will become exercisable within 60 days of February 1, 2003 under the 2001 Stock Option Plan for Non-Employee Directors. Does not include 25,500 shares of Common Stock owned by Mr. Cunniff's wife as to which Mr. Cunniff disclaims beneficial ownership. Mr. Cunniff is the Vice Chairman, a director and a principal stockholder of Ruane, Cunniff & Co., Inc., which manages discretionary accounts and which holds 121,344 shares of Common Stock. The firm of Ruane, Cunniff & Co., Inc. is able to direct the sale or disposition of the 121,344 shares; however, 3,200 shares may be voted by Ruane, Cunniff & Co., Inc. and 118,144 shares may be voted only by their beneficial owners. Mr. Cunniff disclaims beneficial ownership of such 121,344 shares.
  - (7) Includes 1,200 shares of Common Stock held directly by General Kelley and 800 shares held in joint tenancy by General Kelley and his wife. Also includes 15,000 shares of Common Stock subject to options currently exercisable or which will become exercisable within 60 days of February 1, 2003 under the 2001 Stock Option Plan for Non-Employee Directors.
  - (8) Includes 1,000 shares of Common Stock held directly by Admiral Service. Also includes 15,000 shares of Common Stock subject to options currently exercisable or which will become exercisable within 60 days of February 1, 2003 under the 2001 Stock Option Plan for Non-Employee Directors.

**The Board of Directors recommends a vote "FOR" each of the nominees named above.**

## **THE BOARD OF DIRECTORS, ITS COMMITTEES AND DIRECTOR COMPENSATION**

### **Board of Directors**

The Company's business and affairs are under the direction of the Board of Directors of the Company pursuant to the General Corporation Law of the State of Delaware as in effect from time to time and the Company's By-Laws. Members of the Board of Directors are kept informed of the Company's affairs through discussions with the Company's executive officers, by careful review of materials provided to them and by participating in meetings of the Board of Directors and the committees of the Board of Directors.

The Board of Directors held five meetings during 2002. With the exception of William B. Ruger, who did not attend the two Directors' meetings held before his death, all Directors attended all meetings of the Board of Directors.

During 2002, the Company paid each Director who was not also an officer of the Company \$20,000 in annual fees for services as a member of the Board of Directors. Each Director who was also an officer received \$6,000 in annual fees.

During 2002, each Director who was not also an officer of the Company received an attendance fee of \$1,500 per meeting, and each Director who was also an officer received an attendance fee of \$500 per meeting. All Directors were reimbursed for out-of-pocket expenses related to attendance at meetings, and each Director who was not also an officer of the Company and was a member of any of the committees of the Board received \$1,000 for each committee meeting attended.

On January 5, 2001, each current non-employee member of the Board was granted a non-qualified stock option to purchase 20,000 shares of Common Stock at an exercise price of \$9.875 per share under the 2001 Stock Option Plan for Non-Employee Directors, which was approved by the stockholders of the Company on May 3, 2001. These options vest and become exercisable in four equal annual installments of 25% of the total number of options awarded, beginning on the date of grant and on each of the next succeeding three anniversaries thereafter.

Stanley B. Terhune, a Director and former Vice President of the Company, served as a consultant to the Company during 2002. For his services in this capacity, Mr. Terhune received \$100 per hour and during 2002 received a total of \$63,409 including bonuses.

### **Audit Committee**

In 2002, the members of the Audit Committee of the Board of Directors were Townsend Hornor, Richard T. Cunniff and Paul X. Kelley. Mr. Hornor served as Chairman. Each of Messrs. Hornor, Cunniff and Kelley have no personal ties to the Company (other than their compensation as a Director and equity ownership as described in this annual Proxy Statement) and each is an "independent director" as defined in Rule 4200(a)(15) of the National Association of Securities Dealers, Inc. listing standards. The Audit Committee is governed by a written charter that was adopted by the Board of Directors on May 11, 2000 and reaffirmed on May 3, 2001 and May 9, 2002. A copy of the charter was included in the Company's annual Proxy Statements in connection with the Annual Meetings held in 2001 and 2002. The "Report of the Audit Committee" is included in this annual Proxy Statement.

The Audit Committee held four meetings during 2002. In addition to out-of-pocket expenses related to attendance at meetings, Messrs. Hornor, Cunniff and Kelley each received \$4,000 for services rendered on such Committee in 2002. All Directors who served on the Audit Committee in fiscal 2002 attended all meetings of the Audit Committee in fiscal 2002.

### **Compensation Committee**

In 2002, the members of the Compensation Committee of the Board of Directors were Paul X. Kelley, Richard T. Cunniff and James E. Service. General Kelley served as Chairman. Each of Messrs. Kelley, Cunniff and Service have no personal ties to the Company (other than their compensation as a Director and equity ownership as described in this annual Proxy Statement) and each is an "independent director" as defined in Rule 4200(a)(15) of the National Association of Securities Dealers, Inc. listing standards. The function of the Compensation Committee is to administer the Company's equity incentive compensation plans and establish the compensation of the executive officers and Directors of the Company. The Compensation Committee held two meetings during 2002. The "Compensation Committee Report on Executive Compensation" is included in this annual Proxy Statement.

In addition to out-of-pocket expenses related to attendance at meetings, Messrs. Kelley and Service each received \$2,000, and Mr. Cunniff received \$1,000, for services rendered on such committee in 2002. With the exception of Mr. Cunniff, who did not attend one Compensation Committee meeting, the Directors who served on the Compensation Committee in fiscal 2002 attended all meetings of the Compensation Committee in fiscal 2002.

### **Nomination of Directors**

The Company does not have a nominating committee or a committee performing a similar function. The Board of Directors as a whole performs the function of a nominating committee.

## **COMPENSATION COMMITTEE REPORT ON EXECUTIVE COMPENSATION\***

### *Overall Policy*

The Company's executive compensation program is designed to reflect both corporate performance and individual responsibilities and performance. The Compensation Committee administers the Company's overall compensation strategy in an attempt to relate executive compensation appropriately to the Company's overall growth and success and to the executive's duties and demonstrated abilities. The objectives of this strategy are to attract and retain the best possible executives, to motivate these executives to achieve the Company's business goals and to provide a compensation package that recognizes individual contributions as well as overall business results. The Compensation Committee and the Board of Directors as a whole have ultimate responsibility for executive compensation.

These reviews permit an ongoing evaluation of the relationship between the size and scope of the Company's operations, its performance and its executive compensation. The Compensation Committee also considers the legal and tax effect (including, without limitation, the effects of Section 162(m) of the Internal Revenue Code of 1986, as amended) of the Company's executive compensation program in order to provide the most favorable legal and tax consequences for the Company and its executive officers.

The Compensation Committee determines the compensation of the Company's executive officers, including the individuals whose compensation is detailed in this proxy statement. The key elements of the Company's executive compensation consist of base salary, annual bonus and stock options, as discussed below.

### *Base Salaries*

Base salaries for executive officers are determined by considering historical salaries paid by the Company to officers having certain duties and responsibilities and then evaluating the current responsibilities of the position, the scope of the operations under management and the experience of the individual. Salary adjustments are determined by evaluating on an individual basis new responsibilities of the executive's position, changes in the scope of the operations managed, the performance of such operations, the performance of the executive in the position and annual increases in the cost of living.

### *Annual Bonus*

The Company's executive officers are eligible for an annual cash bonus. Annual bonuses are determined on the basis of corporate performance. The most significant corporate performance measure for bonus payments is earnings of the Company. In determining annual bonuses, the Compensation Committee considers the views of the Chief Executive Officer and discusses with him the appropriate bonuses for all officers.

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\* The report of the Compensation Committee shall not be deemed incorporated by reference by any general statement incorporating by reference this Proxy Statement into any filing under either the Securities Act of 1933, as amended, or the Exchange Act (together, the "Acts"), except to the extent that the Company specifically incorporates such report by reference; and further, such report shall not otherwise be deemed filed under the Acts.



### *Stock Options*

Under the Company's 1998 Stock Incentive Plan, stock options may be granted to the Company's executive officers. The Compensation Committee sets guidelines for the size of stock option awards based on factors similar to those used to determine base salaries and annual bonuses. Stock options are designed to align the interests of executives with those of the stockholders.

Under the 1998 Stock Incentive Plan, stock options are typically granted with an exercise price equal to the market price of the Company's common stock on the date of grant and vest over time. This approach is designed to encourage the creation of stockholder value over the long term since the full benefit of the compensation package cannot be realized unless stock price appreciation occurs over time.

### *Chief Executive Officer's Compensation*

Following William B. Ruger, Jr.'s appointment as Chief Executive Officer on October 24, 2000, the Compensation Committee reviewed Mr. Ruger, Jr.'s compensation as well as the compensation of the Company's other executive officers who had been assigned positions of increased responsibility. Based on the Committee's recommendations as a result of this review, the Board of Directors approved an increase to William B. Ruger, Jr.'s base salary from \$225,000 per year to \$400,000. Mr. Ruger, Jr.'s base salary has not increased since October 24, 2000. Prior thereto, Mr. Ruger, Jr.'s base salary had not increased since January 1, 1998.

### *Conclusion*

Through the programs described above, a significant portion of the Company's executive compensation is linked directly to individual and corporate performance. The Compensation Committee intends to continue the policy of linking executive compensation to corporate and individual performance, recognizing that the ups and downs of the business cycle from time to time may result in an imbalance for a particular period.

#### COMPENSATION COMMITTEE

Paul X. Kelley, Committee Chairman  
Richard T. Cunniff  
James E. Service

January 31, 2003

#### **COMPENSATION COMMITTEE INTERLOCKS AND INSIDER PARTICIPATION**

The members of the Compensation Committee of the Company's Board of Directors for the year 2002 were those named above in the Compensation Committee Report on Executive Compensation. No member of the Committee was at any time during the year 2002 or at any other time an officer or employee of the Company. No executive officer of the Company has served on the board of directors or compensation committee of any other entity that has or has had one or more executive officers serving as a member of the Board of Directors.

**EXECUTIVE COMPENSATION**  
**Summary Compensation Table**

The following table sets forth certain information with respect to the compensation for calendar years 2002, 2001 and 2000 for the Company's Chief Executive Officer and the other executive officers of the Company.

<u>Name and Principal Position</u>	<u>Year</u>	<u>Annual Compensation</u>			<u>Long Term Compensation</u>
		<u>Salary (1) \$</u>	<u>Bonus \$</u>	<u>Other Annual Compensation(2) \$</u>	<u>All other Compensation(3),(4) \$</u>
William B. Ruger, Jr. - Chairman of the Board of Directors and Chief Executive Officer. Director.	2002	\$408,500	\$ 39,500	\$ 22,310	\$ 60,792
	2001	408,000	52,000	25,657	60,792
	2000	265,813	129,000	10,203	43,220
Erle G. Blanchard - Vice Chairman, President, Chief Operating Officer and Treasurer. Director.	2002	\$283,500	\$ 32,000	\$ 30,677	\$ 42,697 (5)
	2001	283,000	32,700	30,677	81,734 (5)
	2000	167,500	79,000	23,105	64,508 (5)
Stephen L. Sanetti - Vice Chairman, Senior Executive Vice President and General Counsel. Director.	2002	\$283,500	\$ 32,000	\$ 36,801	\$ 42,457
	2001	283,000	39,000	36,801	41,526
	2000	202,167	99,000	27,047	30,154
Leslie M. Gasper - Corporate Secretary	2002	\$ 97,500	\$ 12,000	\$ 13,048	\$ 14,805
	2001	91,250	10,800	12,212	13,868
	2000	77,875	26,000	10,847	11,861

- (1) Includes Director's Fees.
- (2) The amounts set forth in this column represent "gross-ups" for taxes incurred on benefits received pursuant to the Company's Supplemental Executive Profit Sharing Plan (the "Supplemental Plan").
- (3) The amounts set forth in this column represent benefits received by pursuant to the Company's Salaried Employees' Profit Sharing Plan, Supplemental Plan, and taxable premiums paid by the Company for group term life insurance for the named individuals, respectively, as follows: William B. Ruger, Jr. 2002 - \$30,000, \$30,000 and \$792, 2001 - \$25,500, \$34,500 and \$792, 2000 - \$25,500, \$13,172 and \$792; Erle G. Blanchard, 2002 - \$0, \$41,250 and \$516, 2001 - \$0, \$41,250 and \$436, 2000 - \$0, \$24,881 and \$276; Stephen L Sanetti, 2002 - \$0, \$41,250 and \$276, 2001 - \$0, \$41,250 and \$276, 2000 - \$0, \$29,125 and \$276; Leslie M. Gasper, 2002 - \$0, \$14,625 and \$180, 2001 - \$0, \$13,688 and \$180, 2000 - \$0, \$11,681 and \$180.
- (4) The amounts set forth in this column also include the taxable value and "gross-ups" for taxes for Company products given to the named individuals respectively as follows: William B. Ruger, Jr., 2002 - \$0 and \$0, 2001 - \$0 and \$0, 2000 - \$2,650 and \$1,106; Erle G. Blanchard, 2002 - \$931 and \$0, 2001 - \$0 and \$0, 2000 - \$497 and \$256; Stephen L. Sanetti, 2002 - \$931 and \$0, 2001 - \$0 and \$0, 2000 - \$497 and \$256; Leslie M. Gasper, 2002 - \$0 and \$0, 2001 - \$0 and \$0, 2000 - \$0 and \$0.
- (5) The amounts set forth in this column for Erle G. Blanchard also include the taxable value of moving expenses and "gross-ups" for taxes related to moving expenses reimbursed to Mr. Blanchard, respectively, as follows: 2002 - \$0 and \$0, 2001 - \$31,005 and \$9,043, 2000 - \$29,800 and \$8,798.



**AGGREGATED OPTION/SAR EXERCISES IN LAST FISCAL YEAR  
AND FISCAL YEAR-END OPTION/SAR VALUES**

The following table sets forth certain information regarding stock options and SARs granted which were exercised during fiscal 2002 by the executive officers of the Company named in the Summary Compensation Table.

<b>Name</b>	<b>Shares Acquired on Exercise #</b>	<b>Value Realized \$</b>	<b>Number of Securities Underlying Unexercised Options/SARs at Fiscal Year-End Exercisable/Unexercisable(1) #</b>	<b>Value of Unexercised In-the- Money Options/SARs at Fiscal Year-End Exercisable/Unexercisable(2) \$</b>
William B. Ruger Jr.	0	\$0.00	200,000 / 50,000	\$0 / \$0
Erle G. Blanchard	0	0.00	160,000 / 40,000	0 / 0
Stephen L. Sanetti	0	0.00	160,000 / 40,000	0 / 0
Leslie M. Gasper	0	0.00	40,000 / 10,000	0 / 0

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(1) Stock options awarded December 31, 1998 under the 1998 Stock Incentive Plan at an exercise price of \$11.9375 per share.

(2) The closing price of the Common Stock on December 31, 2002, \$9.57, was less than the exercise price on the date of grant.

## PENSION PLAN TABLE

Estimated Amounts of Annual Pension Payable from the  
Salaried Employees' Retirement Income Plan  
for the Participant's Life,  
Commencing During 2002 at Age 65

<u>Highest 60-Consecutive-Month Average Annualized Base Pay</u>	<u>Years of Credited Service</u>		
	<u>15 Years</u>	<u>20 Years</u>	<u>25 Years</u>
\$75,000	\$11,154	\$14,872	\$18,590
100,000	16,154	21,539	26,924
125,000	21,154	28,206	35,257
150,000	26,154	34,872	43,590
175,000	31,154	41,539	51,924
200,000	36,154	48,205	60,257

All of the Company's salaried employees participate in the Sturm, Ruger & Company, Inc. Salaried Employees' Retirement Income Plan (the "Pension Plan"), which in general provides annual pension benefits at age 65 in an amount equal to: (i) 1-1/3% of the participant's final average salary (highest 60-consecutive-month average annualized base pay during the last 120 months of employment) less 0.65% of the participant's Social Security covered compensation, multiplied by (ii) the participant's years of credited service up to a maximum of 25 years.

The pensions listed in the table above are not subject to any offset or deduction for Social Security or any other benefits.

As of December 31, 2002, William B. Ruger, Jr. and Leslie M. Gasper each had more than 25 years of credited service, and Erle G. Blanchard and Stephen L. Sanetti each had 22 years of credited service.

An indication of the average annualized base pay under the Pension Plan for these individuals can be found in the Salary column of the Summary Compensation Table.

## SUPPLEMENTAL EXECUTIVE RETIREMENT PLAN TABLE

Estimated Amounts of Annual Plan Benefit Payable from the  
Supplemental Executive Retirement Plan  
for the Participant's Life,  
Commencing During 2002 at Age 65

<u>Average Annual Compensation</u>	<u>Years of Credited Service</u>		
	<u>15 Years</u>	<u>20 Years</u>	<u>25 Years</u>
\$125,000	\$ 3,926	\$ 11,874	\$ 19,823
150,000	7,926	17,208	26,490
175,000	11,926	22,541	33,156
200,000	15,926	27,874	39,823
225,000	19,926	33,208	46,490
250,000	23,926	38,541	53,156
300,000	33,926	51,875	69,823
400,000	63,926	91,875	119,823

The Sturm, Ruger & Company, Inc. Supplemental Executive Retirement Plan (the "SERP") is a nonqualified supplemental retirement plan for certain senior executives of the Company. Three of the executive officers who appear in the Summary Compensation Table, William B. Ruger, Jr., Erle G. Blanchard and Stephen L. Sanetti participate in the SERP. The SERP provides an annual benefit beginning at age 65 in an amount equal to 2% of the participant's average annual compensation for each complete year of service with the Company up to a maximum of 50% of such average compensation. The annual benefit is reduced by the amount the participant is entitled to receive under the Pension Plan, and is further reduced by the amount of Social Security benefit the participant is entitled to receive commencing at age 65. The SERP benefit is payable as an annuity over the life of the participant, with 50% to continue for the life of the participant's surviving spouse after the participant's death.

The average annual compensation shown in the above table includes the participant's base pay, bonuses and other compensation for the participant's highest consecutive 36 months of service (or, if the participant's service was less than 36 months, then for the entire period of service) as reported in the Summary Compensation Table, except that benefits received under the Salaried Employees' Profit Sharing Plan and taxable premiums paid by the Company for group term life insurance are excluded from the SERP compensation formula. The annual compensation upon which the SERP benefit is calculated is limited to \$400,000. As of December 31, 2002, William B. Ruger, Jr. had more than 25 years of credited service, and Erle G. Blanchard and Stephen L. Sanetti each had 22 years of credited service. The estimated amounts presented above assume that the participant attained age 65 in 2002.

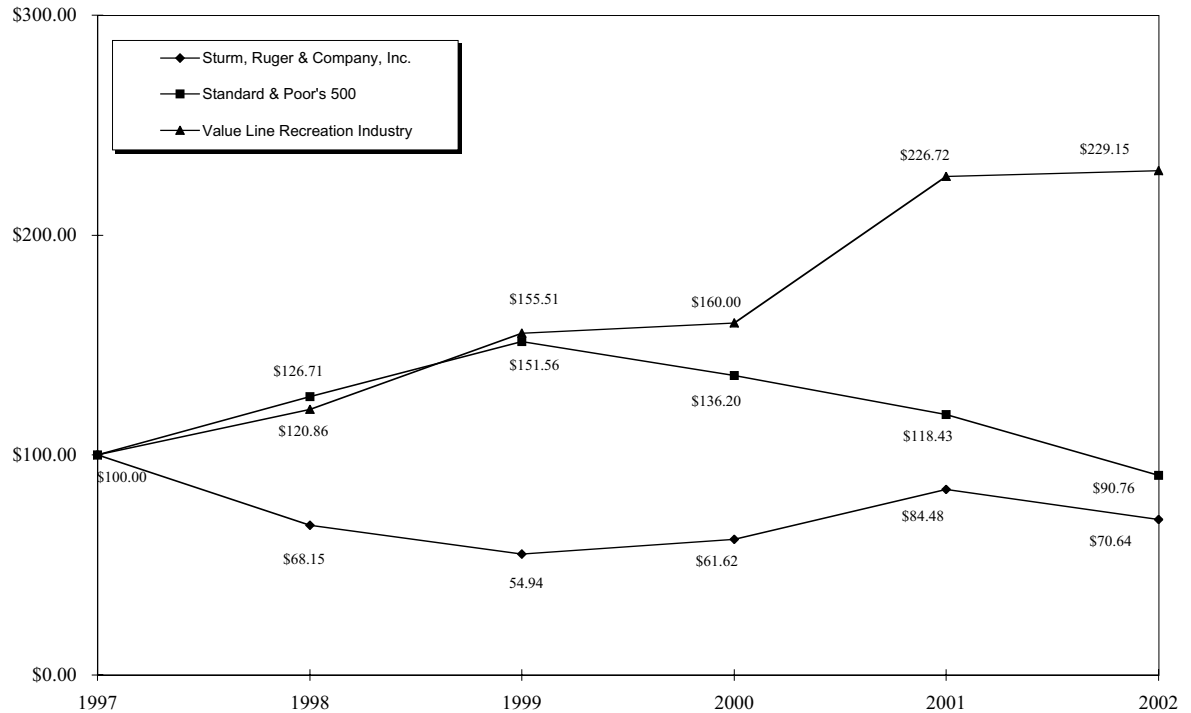
John M. Kingsley, Jr., a Company Director who retired as Executive Vice President of the Company on December 31, 1996, received \$139,200 in benefits from the SERP during 2002.

The SERP provides that in the event of a change in control of the Company participants in pay status shall be entitled to receive a lump-sum payment equal to the present value of the participant's benefit. Those not in pay status shall become fully vested and generally, if terminated within three years of a change in control, become entitled to a lump-sum payment. The payment shall be computed based upon the participant's average compensation and years of service with the Company on the date of change in control (provided, however, that in the event of a change in control, the participant's years of service with the Company for purposes of computing the benefit amount shall not be less than ten). A change in control is defined to mean the effective date of one of the following events: (i) sale or exchange of substantially all of the capital stock of the Company; (ii) sale of substantially all of the assets of the Company; (iii) sale of substantially all of the capital stock of the Company owned of record and beneficially held by members of the William B. Ruger family; or (iv) the merger or consolidation of the Company with or into one or more other corporations; and, in each of such four cases, the sale of stock or assets is to, or the exchange of stock is with, or the merger or consolidation is with or into one or more persons, firms or corporations which does not own at least 10% of the capital stock of the Company.

## COMPANY STOCK PRICE PERFORMANCE

### Comparison of Five-Year Cumulative Total Return\*

Sturm, Ruger & Company, Inc., Standard & Poor's 500 and Value Line Recreation Industry Index  
(Performance Results Through 12/31/02)



Assumes \$100 invested at the close of trading 12/97 in Sturm, Ruger & Company, Inc. Common Stock, Standard & Poor's 500, and Value Line Recreation Industry Index.

\*Cumulative total return assumes reinvestment of dividends.

Source: Value Line, Inc.

Factual material is obtained from sources believed to be reliable, but the publisher is not responsible for any errors or omissions contained herein.

	1997	1998	1999	2000	2001	2002
Sturm, Ruger & Company, Inc.	100.00	68.15	54.94	61.62	84.48	70.64
Standard & Poor's 500	100.00	126.71	151.56	136.20	118.43	90.76
Value Line Recreation Industry	100.00	120.86	155.51	160.00	226.72	229.15

The peer group in the above graph is the Value Line Recreation Industry.



## PRINCIPAL STOCKHOLDERS

The following table sets forth as of February 1, 2003 the ownership of Common Stock by each person of record or known by the Company to own beneficially more than 5% of such stock.

<u>Title of Class</u>	<u>Name and Address of Beneficial Owner</u>	<u>Amount and Nature of Beneficial Ownership</u>	<u>Percent of Class</u>
Common Stock	William B. Ruger, Jr. P.O. Box 293 Newport, NH 03773	5,272,000 (1)	19.45%
Common Stock	Carolyn R. Vogel P.O. Box 906 Harrisville, NH 03450	5,022,000 (2)	18.66%
Common Stock	Ruger Business Holdings, L.P. Lacey Place Southport, CT 06890	4,272,000 (3)	15.87%
Common Stock	Ruger Management, Inc. Lacey Place Southport, CT 06890	4,272,000 (3)	15.87%
Common Stock	Royce & Associates, LLC 1414 Avenue of the Americas New York, NY 10019	1,678,300	6.24%

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- (1) Includes 4,272,000 shares of Common Stock held in the name of Ruger Business Holdings, L.P., of which the William B. Ruger Revocable Trust of 1988 is the sole limited partner and Ruger Management, Inc., is the sole general partner. William B. Ruger, Jr. and Carolyn Ruger Vogel (son and daughter of William B. Ruger) are co-trustees of the William B. Ruger Revocable Trust of 1988. Ruger Management, Inc., is owned by William B. Ruger, Jr. and Carolyn R. Vogel. Mr. Ruger, Jr. and Mrs. Vogel have shared investment and voting control with respect to such 4,272,000 shares of Common Stock. Also includes 800,000 shares of Common Stock owned directly by Mr. Ruger, Jr. Mr. Ruger, Jr. has sole investment and voting control with respect to such 800,000 shares. Also includes 200,000 shares of Common Stock subject to options currently exercisable or which will become exercisable within 60 days of February 1, 2003 under the 1998 Stock Incentive Plan.
- (2) Includes 4,272,000 shares of Common Stock as disclosed in footnote (1) above. Also includes 750,000 shares of Common Stock owned directly by Mrs. Vogel. Mrs. Vogel has sole investment and voting control with respect to such 750,000 shares.
- (3) Represents the 4,272,000 shares of Common Stock disclosed in footnote (1) above.

## SECURITY OWNERSHIP OF MANAGEMENT

The following table sets forth certain information as of February 1, 2003 as to the number of shares of Common Stock beneficially owned by the Chief Executive Officer of the Company and the other executive officers of the Company, and all Directors and executive officers of the Company as a group. See ELECTION OF DIRECTORS above for such information with respect to each Director of the Company.

<u>Title of Class</u>	<u>Name of Beneficial Owner *</u>	<u>Amount and Nature of Beneficial Ownership</u>	<u>Percent of Class</u>
Common Stock	William B. Ruger, Jr.	5,272,000 (1)	19.45%
Common Stock	Erle G. Blanchard	167,000 (2)	**
Common Stock	Stephen L. Sanetti	192,000 (3)	**
Common Stock	Leslie M. Gasper	40,049 (4)	**
Common Stock	Directors and executive officers as a group (6 non-officer Directors, 3 Directors who were also executive officers during 2002 and 1 other executive officer)	5,787,709	21.01%

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\* The address of each of the executive officers named in this Security Ownership of Management table is c/o Sturm, Ruger & Company, Inc., Lacey Place, Southport, Connecticut 06890.

\*\* Beneficial owner of less than 1% of the outstanding Common Stock of the Company.

- (1) Includes 4,272,000 shares of Common Stock held in the name of Ruger Business Holdings, L.P., of which the William B. Ruger Revocable Trust of 1988 is the sole limited partner and Ruger Management, Inc. is the sole general partner. William B. Ruger, Jr. and Carolyn Ruger Vogel (son and daughter of William B. Ruger) are co-trustees of William B. Ruger Revocable Trust of 1988. Ruger Management, Inc. is owned by William B. Ruger, Jr. and Carolyn R. Vogel. Mr. Ruger, Jr. and Mrs. Vogel have shared investment and voting control with respect to such 4,272,000 shares of Common Stock. Also includes 800,000 shares of Common Stock owned directly by Mr. Ruger, Jr. Mr. Ruger, Jr. has sole investment and voting control with respect to such 800,000 shares. Also includes 200,000 shares of Common Stock subject to options currently exercisable or which will become exercisable within 60 days of February 1, 2003 under the 1998 Stock Incentive Plan.
- (2) Includes 7,000 shares of Common Stock held by Mr. Blanchard as trustee of a revocable trust for the benefit of Mr. Blanchard and his spouse. Also includes 160,000 shares of Common Stock subject to options currently exercisable or which will become exercisable within 60 days of February 1, 2003 under the 1998 Stock Incentive Plan.
- (3) Includes 32,000 shares of Common Stock held directly by Mr. Sanetti. Also includes 160,000 shares of Common Stock options currently exercisable or which will become exercisable within 60 days of February 1, 2003 under the 1998 Stock Incentive Plan.
- (4) Includes 49 shares of Common Stock held under the CT Gift to Minors Act for the benefit of Ms. Gasper's two minor daughters. Also includes 40,000 shares of Common Stock options currently exercisable or which will become exercisable within 60 days of February 1, 2003 under the 1998 Stock Incentive Plan.

## REPORT OF THE AUDIT COMMITTEE\*

During fiscal 2002, Townsend Hornor, Richard T. Cunniff and Paul X. Kelley served on the Audit Committee (the "Committee"), with Mr. Hornor serving as Chairman. Each of Messrs. Hornor, Cunniff and Kelley is an "independent director" as defined in Rule 4200(a)(15) of the National Association of Securities Dealers, Inc. listing standards. Under the guidance of a written charter adopted by the Board of Directors, the Committee oversees the Company's financial reporting process on behalf of the Board of Directors. Management has the primary responsibility for the financial statements and the reporting process including the systems of internal controls. In fulfilling its oversight responsibilities, the Committee reviewed the audited financial statements in the Annual Report with management, including a discussion of the quality, not just the acceptability, of the accounting principles, the reasonableness of significant judgments, and the clarity of disclosures in the financial statements.

The Committee reviewed with the independent auditors, who are responsible for expressing an opinion of the conformity of those audited financial statements with accounting principles generally accepted in the United States, their judgments as to the quality, not just the acceptability, of the Company's accounting principles and such other matters as are required to be discussed with the Committee by Statement on Auditing Standards No. 61 (Communication with Audit Committees). In addition, the Committee has discussed with the independent auditors the auditors' independence from management and the Company including the matters in the written disclosures required by Independence Standard Board Standard No. 1 (Independence Discussions with Audit Committees), and considered the compatibility of non-audit services with the auditors' independence.

The Committee discussed with the independent auditors the overall scope and plans for their audit. The Committee met with the independent auditors, with and without management present, to discuss the results of their examinations, their evaluations of the Company's internal controls, and the overall quality of the Company's financial reporting. The Committee held four meetings during fiscal 2002.

In reliance on the reviews and discussions referred to above, the Committee recommended to the Board of Directors that the audited financial statements be included in the Annual Report on Form 10-K for the year ended December 31, 2002 for filing with the Securities and Exchange Commission. The Committee and the Board have also recommended, subject to shareholder approval, the selection of the Company's independent auditors.

### AUDIT COMMITTEE

Townsend Hornor, Committee Chairman  
Richard T. Cunniff  
Paul X. Kelley

March 25, 2003

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\* The report of the Audit Committee shall not be deemed incorporated by reference by any general statement incorporating by reference this Proxy Statement into any filing under either the Securities Act of 1933, as amended, or the Exchange Act (together, the "Acts"), except to the extent that the Company specifically incorporates such report by reference; and further, such report shall not otherwise be deemed filed under the Acts.

## PROPOSAL NO. 2

### APPROVAL OF INDEPENDENT AUDITORS

Effective August 27, 2001, the Audit Committee of the Company dismissed Ernst & Young LLP and appointed KPMG LLP as its independent auditors. The stockholders of the Company ratified KPMG LLP as the Company's independent auditors at the Company's Annual Meeting held in May, 2002. This change was the result of an extensive search made at the request of the Audit Committee to review the services and costs associated with the external audit function. Subject to the ratification of the stockholders, the Board of Directors has reappointed KPMG LLP as the Company's independent auditors for the 2003 fiscal year.

Ernst & Young LLP's report on the Company's financial statements for fiscal years 1999 and 2000 did not contain an adverse opinion, disclaimer of opinion, or qualification or modification as to uncertainty, audit scope, or accounting principles.

During fiscal years 1999 and 2000 and the subsequent interim period preceding August 27, 2001, there were no disagreements with Ernst & Young LLP on any matter of accounting principles or practices, financial statement disclosure, or auditing scope or procedure which, if not resolved to the satisfaction of Ernst & Young LLP, would have caused it to make reference to the subject matter of the disagreement in connection with its report.

The Company (or someone on its behalf) did not consult KPMG LLP during fiscal years 1999 and 2000 and the subsequent interim period preceding August 27, 2001 regarding the application of accounting principles to a specified transaction or the type of audit opinion that might be rendered on the Company's financial statements.

#### *Audit Fees*

KPMG LLP's aggregate fees, including expenses reimbursed, for professional services rendered for the audit of the Company's financial statements for 2002 and the reviews of the Company's quarterly financial statements for the year 2002 were \$204,750.

#### *Audit Related Fees*

Ernst & Young LLP's aggregate fees, including expenses reimbursed, for audit related services for the year 2001 to August 27, 2001, which were charged in the year 2002, were \$7,500.

KPMG LLP's aggregate fees, including expenses reimbursed, for audit related services for the year 2002 were \$ 45,000, and included audits of certain employee benefit plan financial statements.

#### *Financial Information Systems Design and Implementation Fees*

KPMG LLP did not provide services related to financial information systems design and implementation to the Company for the year 2002.

## **SECTION 16(a) BENEFICIAL OWNERSHIP REPORTING COMPLIANCE**

Section 16(a) of the Securities Exchange Act of 1934, as amended, requires the Company's officers and Directors, and persons who own more than ten percent of a registered class of the Company's equity securities, to file reports of ownership and changes in ownership with the Securities and Exchange Commission and the New York Stock Exchange. Officers, Directors and greater than ten percent stockholders are required by Securities and Exchange Commission regulation to furnish the Company with copies of all Section 16(a) forms they file.

To the Company's knowledge, based solely on a review of the copies of the Section 16(a) report forms furnished to the Company and written representations that no other reports were required, that with respect to the period from January 1, 2002 through December 31, 2002, all such forms were filed in a timely manner by the Company's officers, Directors and greater than ten percent beneficial owners.

### **CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS**

William B. Ruger, Chairman Emeritus of the Board of Directors and former Chief Executive Officer, served as a consultant to the Company until his death on July 6, 2002. For his services in this capacity, Mr. Ruger received \$20,000 per month and during 2002 received a total of \$140,000.

During 2002, the Company paid Newport Mills, of which William B. Ruger, Jr. is the sole proprietor, \$206,250 for storage rental. During 2002, the Company also paid Mr. Ruger, Jr. \$16,500 for the rental of office space owned by Mr. Ruger, Jr. in Newport, New Hampshire.

Stanley B. Terhune, a Director and former Vice President of the Company, served as a consultant to the Company during 2002. For his services in this capacity, Mr. Terhune received \$100 per hour and during 2002 received a total of \$63,409 including bonuses.

*All Other Fees*

KPMG LLP's aggregate fees, including expenses reimbursed, for services rendered to the Company other than for services described above, including tax compliance services, for the year 2002 were \$18,150.

The Company's Audit Committee has considered whether the provision of the non-audit related services provided by KPMG LLP to the Company is compatible with maintaining the independence of KPMG LLP.

Representatives of KPMG LLP will be present at the Meeting, will have the opportunity to make a statement if they so desire, and will be available to respond to appropriate questions.

**The Board of Directors recommends a vote "FOR" Proposal No. 2.**

## **STOCKHOLDER PROPOSALS FOR 2004**

In order to be included in the proxy materials for the Company's next Annual Meeting of Stockholders, stockholder proposals must be received by the Company on or before November 26, 2003.

### **OTHER MATTERS**

Management of the Company does not intend to present any business at the Meeting other than as set forth in Items 1 and 2 of the attached Notice of Annual Meeting of Stockholders, and it has no information that others will present any other business at the Meeting. If other matters requiring the vote of the stockholders properly come before the Meeting, it is the intention of the persons named in the proxy to vote the shares represented thereby in accordance with their judgment on such matters.

The Company, upon written request, will provide without charge to each person entitled to vote at the Meeting a copy of its Annual Report on Securities and Exchange Commission Form 10-K for the year ended December 31, 2002, including the financial statements and financial statement schedules. Such requests should be directed to Leslie M. Gasper, Corporate Secretary, Sturm, Ruger & Company, Inc., Lacey Place, Southport, Connecticut 06890.

BY ORDER OF THE BOARD OF DIRECTORS

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Leslie M. Gasper  
Corporate Secretary

Southport, Connecticut  
March 26, 2003

**Directions to the**

**STURM, RUGER & COMPANY, INC.  
ANNUAL MEETING OF STOCKHOLDERS**

**TUESDAY, May 6, 2003 at 10:30 a.m.**

**LAKE SUNAPEE COUNTRY CLUB  
100 COUNTRY CLUB LANE  
NEW LONDON, NEW HAMPSHIRE 03257  
(603) 526-6040**

**From New York (approximately 5 hours by car) –**

- 1) Take Interstate 95 North to Interstate 91 North in New Haven, Connecticut.
- 2) Follow I-91 through Massachusetts to Interstate 89 at White River Junction, Vermont.
- 3) Take I-89 South to Exit 11. Turn left at end of ramp, go straight 1\_ miles to 2<sup>nd</sup> flashing light. Fairway Motel and entrance to Lake Sunapee Country Club is on the right.
- 4) Turn right into entrance; proceed approximately \_ mile to **Lake Sunapee Country Club Inn.**

**From Boston (approximately 1 hours by car) –**

- 1) Take Interstate 93 North from Boston to Interstate 89 North in Concord, New Hampshire.
- 2) In Concord, take I-89 North to Exit 11. Turn right at end of ramp, go straight 1\_ miles to 2<sup>nd</sup> flashing light. Fairway Motel and entrance to Lake Sunapee Country Club is on the right.
- 3) Turn right into entrance; proceed approximately \_ mile to **Lake Sunapee Country Club Inn.**

**From Manchester Airport (approximately 1 hour by car) –**

- 1) When leaving Manchester Airport, turn right onto Brown Street (residential). Go right onto Route 293/101 East, then left to Interstate 93 North toward Concord, New Hampshire.
- 2) In Concord, take Interstate 89 North to Exit 11. Turn right at end of ramp, go straight 1\_ miles to 2<sup>nd</sup> flashing light. Fairway Motel and entrance to Lake Sunapee Country Club is on the right.
- 3) Turn right into entrance; proceed approximately \_ mile to **Lake Sunapee Country Club Inn.**