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Mr. Andrew Ceresney
Director, Division of Enforcement
U.S. Securities and Exchange Commission
100 F Street NE
Washington, DC 20549-5631

Mr. Keith F. Higgins
Director, Division of Corporate Finance
U.S. Securities and Exchange Commission
100 F Street NE
Washington, DC 20549-5631

Dear Messrs. Ceresney and Higgins:

I write to provide comments on the public disclosures that have been made by Sturm, Ruger & Company, Inc. (NYSE: RGR) (hereinafter “Ruger” or “the Company”).

Ruger’s motto is “Arms Makers for Responsible Citizens.”¹ The Company touts its strong record of promoting safe gun ownership practices and anti-crime measures, all while emphasizing that owners of Ruger guns are responsible and law-abiding.² Contrary to these representations, available data indicates that Ruger handguns are among the most frequently traced firearms used in crimes.³ The Company’s statements thus mislead investors about the end market for Ruger firearms and the risks facing the Company.

As a publicly traded manufacturer of firearms, Ruger operates in an industry with heightened

¹ Ruger Corporate | Ruger Vision, <http://www.ruger.com/corporate/vision.html>.

² See, e.g. Sturm, Ruger, & Company, Inc., *Firearms Ownership in America – Our Responsibility for the Future*, available at <http://www.ruger.com/pdf/redBook.pdf>.

³ Sarah Kollmorgen, *Chicago Criminals’ Favorite Gunmakers: A Visual Ranking*, THE TRACE (Jan. 6, 2016), available at: <http://www.thetrace.org/2016/01/chicago-crime-guns-chart/>; Bureau of Alcohol, Tobacco and Firearms, *Highlights of the National Report* (2000), available at <https://www.atf.gov/resource-center/docs/ycgii-report-2000-highlightspdf-0/download>.

risks. By design, Ruger's products are destructive and lethal and thus require responsible stewardship by both the Company and end users. The Company risks both reputational harm and liability if it has not implemented sufficiently comprehensive and effective controls over the distribution of its products. These risks also raise the question of what steps the Company is taking to ensure that Ruger products are not being diverted to criminal networks and that the Company is not engaged in business relationships with distributors or dealerships without adequate controls in place.

In this context, disclosures about crime guns and risk management are particularly important. However, Ruger has not disclosed to its shareholders material information about: (1) the usage of its products in connection with criminal activity; (2) the risk environment in which the company operates given the frequency with which Ruger firearms are used in criminal activity; and (3) what steps the company has taken to oversee the distribution chain of its products and to lessen the risk that the Company's products are diverted into the hands of criminals. The Company's failure to disclose this information violates the Securities Exchange Act and rules promulgated by the Securities and Exchange Commission ("SEC").

I. Factual Background

Ruger was founded in 1949 and manufactures rifles, pistols, and revolvers. The Company reported \$544.9 million in sales of firearms in Fiscal Year 2015.⁴ The majority of these sales are attributable to handguns: \$192.2 million and \$113.3 million for pistols and revolvers respectively.⁵ To its shareholders, Ruger has touted itself as a leading firearms brand and a proponent of responsible gun ownership and has attributed growing demand to lawful purposes such as self-defense or hunting.⁶

Ruger handguns are among the most frequently traced "crime guns" – that is, guns used in crimes and that are subsequently traced by the Bureau of Alcohol, Tobacco, Firearms and Explosives ("ATF"). The tracing process involves the systematic tracking of the movement of firearms recovered by law enforcement officials from their first sale by the manufacturer or importer through the distribution chain (wholesaler/retailer) to the first retail purchaser. Due to a

⁴ Sturm, Ruger & Company, Inc., Form 10-K (filed Feb. 24, 2016), available at: <https://www.sec.gov/Archives/edgar/data/95029/000117494716002118/0001174947-16-002118-index.htm>.

⁵ *Id.*

⁶ Sturm, Ruger & Company, Inc., Ex. 99.1 to Form 8-K (filed May 6, 2014), available at <https://www.sec.gov/Archives/edgar/data/95029/000117494714000246/0001174947-14-000246-index.htm>; *see also* Sturm, Ruger, & Company, Inc., *Firearms Ownership in America – Our Responsibility for the Future*, available at <http://www.ruger.com/pdf/redBook.pdf>; Transcript of Earnings Call – FY2015 Q4 (Feb 25, 2016), available at <http://seekingalpha.com/article/3931456-sturm-ruger-and-co-rgr-michael-o-fifer-q4-2015-results-earnings-call-transcript> ("In the fourth quarter of 2015, we observed stronger demand for those firearm products that would typically be used for self-defense such as centerfire pistols. This increase in demand led to increased sell-through at all levels of the channel and helped reduce inventory levels of the company's products both at Ruger and at the independent wholesale distributors. Demand continues to be strong for both self-defense type firearms and for new products through the first month-and-a-half of 2016.").

2004 law, the ATF may not release to the public trace data for crime guns. However, some police departments have released more recent data and the pre-2004 data indicates that the popularity among criminals of Ruger's 9 mm pistols is longstanding. In 2015, the Chicago Police Department released, pursuant to a Freedom of Information Act request, the make and model of all guns seized in 2014.⁷ The most frequently seized model was a Ruger 9 mm pistol. The Chicago Police Department also reported seizing a large number of Ruger .22 pistols. The most recent comprehensive report released by the ATF – published in 2000 – listed the Ruger 9 mm semiautomatic pistol as the second most frequently traced crime gun in America.⁸

In New York City, we have seen the effects of Ruger guns in violent crimes. Only four weeks ago, two plainclothes New York City Police Officers were shot by a gunman wielding a Ruger .357 revolver.⁹ Other examples of crimes involving Ruger handguns abound.¹⁰

In the last several years, public concern about gun violence has prompted a national debate about gun control, gun violence prevention, and what measures can be taken to ensure that those who seek to harm others do not have access to guns. As a part of this debate, public interest in the distribution of firearms and the role played by gun manufacturers in safeguarding distribution channels has increased. News reports of mass shootings have focused on how shooters obtained their guns and what make and model firearms were used.¹¹

The growing interest in gun trafficking has also led to increased scrutiny of gun retailers. The Brady Center has estimated that 90% of crime guns can be traced to a mere 5% of gun dealerships nationally.¹² A growing awareness of these “bad apple” gun dealerships has led to public examination of those dealership practices – including straw sales, poor security, and bulk sales – that feed the illegal traffic of guns.¹³ In New York City, where the vast majority of crime

⁷ Sarah Kollmorgen, *Chicago Criminals' Favorite Gunmakers: A Visual Ranking*, THE TRACE (Jan. 6, 2016), available at: <http://www.thetrace.org/2016/01/chicago-crime-guns-chart/>.

⁸ Bureau of Alcohol, Tobacco and Firearms, *Highlights of the National Report* (2000), available at <https://www.atf.gov/resource-center/docs/ycgii-report-2000-highlightspdf-0/download>.

⁹ Ashley Southall, *2 Plainclothes Police Officers Are Shot After a Brief Car Chase in Brooklyn*, N.Y. TIMES (Feb. 20, 2016), available at <http://www.nytimes.com/2016/02/21/nyregion/two-nypd-officers-are-shot-in-brooklyn.html>.

¹⁰ See, e.g. DNAINfo Staff, *Police Shoot Man Who Was Reaching For Gun, Officials Say*, DNAINFO (Nov. 18, 2015), available at <https://www.dnainfo.com/new-york/2015/11/18/crown-heights/police-shoot-man-crown-heights-nypd-says>; Rocco Parascandola & Tina Moore, *Shooter at Waldorf Astoria wedding accidentally fired gun before, hitting himself: police*, N.Y. DAILY NEWS (June 15, 2015), available at <http://www.nydailynews.com/new-york/nyc-crime/shooter-waldorf-astoria-accidentally-fired-gun-article-1.2258897>.

¹¹ See, e.g. Larry Buchanan, Josh Keller, Richard A. Oppel Jr., & Daniel Victor, *How They Got Their Guns*, N.Y. TIMES (Dec. 3, 2015), available at <http://www.nytimes.com/interactive/2015/10/03/us/how-mass-shooters-got-their-guns.html>.

¹² Brady Campaign & Brady Center to Prevent Gun Violence, *The Truth About Gun Dealers in America*, available at <http://www.bradiycampaign.org/sites/default/files/TheTruthAboutGunDealersInAmerica.pdf>.

¹³ See, e.g. *Trial puts gun shop in line of fire for 'straw sale' blamed in cops' shooting*, FOX NEWS (Oct. 1, 2015), available at: <http://www.foxnews.com/us/2015/10/01/trial-puts-gun-shop-in-line-fire-for-straw-sale.html>; Hansi Lo Wang, *'Straw Buyers' Of Guns Break The Law — And Often Get Away With It*, NATIONAL PUBLIC RADIO (Dec. 9, 2015), available at: <http://www.npr.org/2015/12/09/459053141/straw-buyers-of-guns-break-the-law-and-often-get>

guns are trafficked from states with lax gun laws, officials have used numerous strategies to combat this pipeline of illegal guns.¹⁴ Increasingly, elected officials, policy-makers, and the public are debating what responsibility gun manufacturers have when they distribute their products to “bad apple” dealerships or fail to limit the diversion of their products into criminal channels.¹⁵ Even as the proper standard for liability and the broad federal ban on liability for gun manufacturers is being debated, gun manufacturers continue to face litigation alleging that they have not taken reasonable steps to prevent their products from being used in violent crimes.¹⁶

II. Company disclosures

As a publicly traded company, Sturm, Ruger & Company, Inc., makes regular reports to its shareholders. I have reviewed the Company’s public filings with the SEC during the last year. This submission describes what I believe are the material omissions from the Company’s regular reports – the most recent Form 10-K (filed February 24, 2016, and attached hereto as Exhibit A) and the most recent Form 10-Q (filed November 4, 2015, and attached hereto as Exhibit B). The Company has not corrected these material omissions in their other filings.

away-with-it; Bill Briggs, *Tens of thousands try to illegally buy guns from dealers annually, study finds*, NBC NEWS (Mar. 11, 2013), available at: http://investigations.nbcnews.com/_news/2013/03/11/17272111-tens-of-thousands-try-to-illegally-buy-guns-from-dealers-annually-study-finds; Paul M. Barrett, *Three Days Behind the Counter at a Vegas Gun Shop: Would you like hollow points with that?*, BLOOMBERG BUSINESSWEEK (Feb. 17, 2016), available at: <http://www.bloomberg.com/features/2016-three-days-in-a-las-vegas-gun-store/>; Lucy Schouten, *Gun sharing again: Kansas shooter got guns from a friend, say investigators*, THE CHRISTIAN SCIENCE MONITOR (Feb. 27, 2016), available at: <http://www.csmonitor.com/USA/USA-Update/2016/0227/Gun-sharing-again-Kansas-shooter-got-guns-from-a-friend-say-investigators>.

¹⁴ See, e.g., Aaron Katersky, *Major Gun Trafficking Bust in NYC Highlights Flow of Guns From States With Looser Gun Laws*, ABC NEWS (Oct. 14, 2015), available at <http://abcnews.go.com/US/major-gun-trafficking-bust-nyc-highlights-flow-guns/story?id=34481068>; Daniel W. Webster & Jon S. Vernick (Eds.), REDUCING GUN VIOLENCE IN AMERICA: INFORMING POLICY WITH EVIDENCE AND ANALYSIS, 126 (Johns Hopkins Univ. Press 2013), available at: <http://home.uchicago.edu/ludwigj/papers/Impact%20of%20Brady%20Act%202013.pdf>.

¹⁵ See, e.g. Danielle Kurtzleben, *FACT CHECK: Are Gun-Makers 'Totally Free Of Liability For Their Behavior'?*, NATIONAL PUBLIC Radio (Oct. 6, 2015), available at: <http://www.npr.org/sections/itsallpolitics/2015/10/06/446348616/fact-check-are-gun-makers-totally-free-of-liability-for-their-behavior>; Political Discussion | Reddit, “Should Gun Manufacturers Be Held Responsible for Crimes Committed with One of their Products?”, https://www.reddit.com/r/PoliticalDiscussion/comments/3p5e6v/should_gun_manufacturers_be_held_responsible_for/; Awr Hawkins, *Bernie Sanders: Gun Manufacturers May Need to be Held Liable for Gun Crime*, Breitbart (Oct. 11, 2015), available at: <http://www.breitbart.com/big-government/2015/10/11/bernie-sanders-gun-manufacturers-may-need-held-liable-gun-crime/>; Abbie VanSickle, *3 lawsuits attempt to hold gun makers, sellers liable for shooting*, REVEAL: FROM THE CENTER FOR INVESTIGATIVE REPORTING (Feb. 18, 2015), available at: <https://www.revealnews.org/article/3-lawsuits-attempt-to-hold-gun-makers-sellers-liable-for-shootings/>; Joshua D. Koskoff, *Op-Ed: Hold Gun Makers Liable for their Products*, HARTFORD COURANT (Mar. 22, 2013), available at: http://articles.courant.com/2013-03-22/news/hc-op-koskoff-gun-makers-should-face-pridcut-liabi-20130322-1_1_gun-manufacturers-lawful-commerce-firearms-industry; Barnini Chakraborty, *Colorado Democrats want gun manufacturers held liable for crimes committed with their guns*, FOX NEWS (Feb. 7, 2013), available at: <http://www.foxnews.com/politics/2013/02/07/colorado-democrats-want-gun-sellers-manufacturers-held-liable-for-crimes.html>.

¹⁶ See Abbie VanSickle, *3 lawsuits attempt to hold gun makers, sellers liable for shooting*, REVEAL: FROM THE CENTER FOR INVESTIGATIVE REPORTING (Feb. 18, 2015), available at: <https://www.revealnews.org/article/3-lawsuits-attempt-to-hold-gun-makers-sellers-liable-for-shootings/>.

A. Disclosure about crime guns

In its Form 10-K and Form 10-Q filings, the Company does not disclose data about the usage of its firearms in crimes.¹⁷ Nowhere in its filings with the SEC has the Company disclosed the number of its guns involved in crimes in the United States, how many of those guns were purchased lawfully, how many of those guns were diverted or illegally trafficked, and other information that would enable shareholders to determine whether the Company has in place sufficiently strong control measures. Without this information, shareholders cannot assess whether a disproportionate number of the Company's firearms are involved in crimes and, from this information, infer whether the Company has sufficient controls in place to limit the extent to which its guns are diverted or being sold by bad apple gun dealers.

B. Disclosure about risk management and distribution chain management

Ruger has disclosed its assessment of its litigation risk, but it has not provided sufficient information on which shareholders can assess the risk environment in which the Company operates. The 2015 Form 10-K makes the following disclosures about litigation risk:

In 2005, Congress enacted the Protection of Lawful Commerce in Arms Act ("PLCAA"). The PLCAA was enacted to address abuses by cities and agenda-driven individuals who wrongly sought to make firearms manufacturers liable for legally manufactured and lawfully sold products if those products were later used in criminal acts. The Company believes the PLCAA merely codifies common sense and long standing tort principles. If the PLCAA is repealed or efforts to circumvent it are successful and lawsuits similar to those filed by cities and agenda-driven individuals in the late 1990s and early 2000s are allowed to proceed, it could have a material adverse impact on the Company.

....

The Company faces risks arising from various asserted and unasserted litigation matters. These matters include, but are not limited to, assertions of allegedly defective product design or manufacture, alleged failure to warn, purported class actions against firearms manufacturers, generally seeking relief such as medical expense reimbursement, property damages, and punitive damages arising from accidents involving firearms or the criminal misuse of firearms, and those lawsuits filed on behalf of municipalities alleging harm to the general public.

Absent from these disclosures is any information that would allow the reasonable investor to

¹⁷ Sturm, Ruger & Company, Inc., Form 10-K (filed Feb. 24, 2016), available at: <https://www.sec.gov/Archives/edgar/data/95029/000117494716002118/0001174947-16-002118-index.htm>; Sturm, Ruger & Company, Inc., Form 10-Q (filed Nov. 4, 2015), available at: <https://www.sec.gov/Archives/edgar/data/95029/000117494715001602/0001174947-15-001602-index.htm>.

gauge the efficacy of the Company's management of risks including, but not limited to, litigation, that may stem from the frequency with which the company's products are used in connection with violent crimes.¹⁸ The disclosures do not provide sufficient information about internal compliance and oversight of distribution channels such that a shareholder could determine whether the Company has taken any steps to minimize the risk that the Company's products will be used in criminal activities.

The Company's disclosures merely mention the Company's use of wholesale distributors,¹⁹ without providing any information about the Company's management of the risk of illegal diversion and oversight of distributors. With respect to whether its guns are sold by dealers that comply with federal and state laws, Ruger's 2015 Form 10-K states the following: "All retail purchasers are subject to a point-of-sale background check by law enforcement. These end users include sportsmen, hunters, people interested in self-defense, law enforcement and other governmental organizations, and gun collectors."²⁰ The disclosures obscure crucial facts and suggests that Ruger only distributes its products via dealerships that fully comply with federal and state laws. Missing from this disclosure is information that would enable a shareholder to determine whether the Company has in place measures that ensure that its products are not sold via dealerships that have been identified as "bad apples." As noted above, the reality is that many end users of Ruger firearms are criminals who are intent on harming other people. Moreover, several dealerships that the Brady Center has identified as "bad apples," inasmuch as they were the original point of sale for a large number of guns that have been used in crimes, sell Ruger handguns. Ruger handguns are sold at Chuck's Gun Shop in Riverdale, Illinois, which sold 2370 guns that were used in crimes from 1996 to 2000.²¹ Another top source of crime guns, Realco Guns in Forestville, MD, sells Ruger handguns.²² The same is true for many of the other bad apple dealerships that disproportionately sell guns used in crimes. The fact that these dealerships sell new Ruger handguns indicates that the Company may not have sufficient control measures in place to prevent sale of its products by irresponsible dealerships, resulting in illegal

¹⁸ It is well established that the PLCAA does not limit all claims against manufacturers of firearms. The statute contains an exception for knowing violations of gun control laws. *See* 15 U.S.C. § 7903(5)(A)(iii) (in what has come to be known as the "predicate exception," the PLCAA allows an action against manufacturers or sellers of firearms who "knowingly violated a State or Federal statute applicable to the sale or marketing of the product, and the violation was a proximate cause of the harm for which relief is sought."). The PLCAA was designed to protect law-abiding manufacturers from potentially costly litigation stemming from the illegal acts of their customers. It was not intended to shield sellers that are themselves violating the law.

¹⁹ *See, e.g.* Sturm, Ruger & Company, Inc., Form 10-K at 66 (filed Feb. 24, 2016), available at: <https://www.sec.gov/Archives/edgar/data/95029/000117494716002118/0001174947-16-002118-index.htm> ("The firearms segment manufactures and sells rifles, pistols, and revolvers principally to a number of federally-licensed, independent wholesale distributors primarily located in the United States.").

²⁰ Sturm, Ruger & Company, Inc., Form 10-K (filed Feb. 24, 2016), available at: <https://www.sec.gov/Archives/edgar/data/95029/000117494716002118/0001174947-16-002118-index.htm>.

²¹ Brady Campaign & Brady Center to Prevent Gun Violence, *The Truth About Gun Dealers in America*, available at <http://www.bradycampaign.org/sites/default/files/TheTruthAboutGunDealersInAmerica.pdf>; Chuck's Gun Shop & Pistol Range | Products and Services, http://chucksgunshop.net/Products_and_Services.html.

²² Realco Guns Inc. | Products, <http://www.realcoguns.com/products.html>.

diversion and use of the Company's products in violent crimes. Ruger should disclose what, if any, criteria it uses to determine whether to sell its products to a retailer. Ruger should further disclose whether it audits its wholesale distributors to ensure compliance with those criteria.

III. The Company's Disclosures about Risks Violate Regulation S-K.

Item 303 of Regulation S-K requires that public companies "[d]escribe any known trends or uncertainties that have had or that the registrant reasonably expects will have a material favorable or unfavorable impact on net sales or revenues or income from continuing operations."²³ Item 503 of Regulation S-K requires a full discussion of the "most significant factors" that may constitute risk for a company.²⁴ Under both of these rules, the touchstone is whether a trend, uncertainty or risk is material.²⁵ If a risk is material and known to a company, it must be disclosed to shareholders.²⁶

A fact is material "if there is a substantial likelihood that a reasonable shareholder would consider it important in deciding" whether to sell or purchase securities.²⁷ An omission involves a material fact if there is "a substantial likelihood that the disclosure of the omitted fact would have been viewed by the reasonable investor as having significantly altered the total mix of information made available."²⁸ When evaluating whether forward-looking information is material, the SEC has directed Companies as follows:

Where a trend, demand, commitment, event or uncertainty is known, management must make two assessments: (1) Is the known trend, demand, commitment, event or uncertainty likely to come to fruition? If management determines that it is not reasonably likely to occur, no disclosure is required. (2) If management cannot make that determination, it must evaluate objectively the consequences of the known trend, demand, commitment, event or uncertainty, on the assumption that it will come to fruition. Disclosure is then required unless management determines that a material effect on the registrant's financial condition or results of operations is not reasonably likely to occur.²⁹

A. Disclosure about Crime Guns

The failure to disclose the known number of Ruger firearms used in connection with crimes is a

²³ 17 CFR 229.303(a)(3)(ii).

²⁴ 17 CFR 229.503(c).

²⁵ See *City of Roseville Emples. Ret. Sys. v. EnergySolutions, Inc.*, 814 F. Supp. 2d 395, 426, (S.D.N.Y. 2011); *Litwin v. Blackstone Group, L.P.*, 634 F.3d 706, 716 (2d Cir. 2011).

²⁶ *Id.*

²⁷ *Basic Inc. v. Levinson*, 485 U.S. 224, 231-232 (1988) (quoting *TSC Industries, Inc. v. Northway, Inc.*, 426 U. S. 438 (1976) (internal quotation marks omitted)).

²⁸ *Id.*

²⁹ Exchange Act Release No. 6835, 1989 SEC LEXIS 1011, 1989 WL 1092885, at *6.

material trend that should have been disclosed under Regulation S-K. While the Company speaks frequently about the number of consumers who use their products for lawful purposes, the disclosures contain no mention of the many crimes committed by people using Ruger firearms. This absence is material, particularly in light of the ongoing national debate about gun control, gun trafficking, and the responsibility of manufacturers for the harms caused by their products.

In this uncertain environment with respect to gun control and manufacturer liability, the Company may face additional public scrutiny, litigation, and regulatory attention because its guns appear to be disproportionately used in connection with crimes.³⁰ Thus, the reasonable shareholder would want to know how many Ruger firearms are used each year in connection with crimes, whether this number is disproportionate to other manufacturers, whether the guns used in crimes were purchased lawfully, and whether the Company has identified how the firearms ended up in the hands of criminals.

B. Disclosure about Risk Management and Distribution Chain Management

The failure to disclose information about its risk management and distribution chain management practices, when it operates in an industry with unique, heightened risks, also violates Regulation S-K. A reasonable investor would want to know whether the Company has in place policies and practices that limit the likelihood of illegal diversion during distribution and that limit distribution via dealerships responsible for the sale of hundreds of crime guns each year. The absence of meaningful control systems and oversight of distribution could result in significant reputational harm, litigation risk, and governmental investigations. This forward-looking information should have been disclosed; while the Company may assert that these risks are uncertain, the shifting political landscape makes it such that the Company should have disclosed the risks to the Company's reputation and profit, "on the assumption that [they] will come to fruition."³¹

IV. The Company's Disclosures Violate Section 10(b) of the Securities Exchange Act and SEC Rule 10b-5.

Section 10(b) of the Securities Exchange Act prohibits "any manipulative or deceptive device" in connection with the sale or purchase of securities.³² "Section 10(b) of the Exchange Act bars conduct involving manipulation or deception, manipulation being practices that are intended to mislead investors by artificially affecting market activity, and deception being misrepresentation, or nondisclosure intended to deceive."³³ Rule 10b-5, which the SEC promulgated under Section 10(b) of the Exchange Act, provides that it is unlawful to:

³⁰ See Footnote 18, *supra*, regarding liability under the PLCAA.

³¹ Exchange Act Release No. 6835, 1989 SEC LEXIS 1011, 1989 WL 1092885, at *6.

³² 15 U.S.C. § 78j(b).

³³ *Ganino v. Citizens Utils. Co.*, 228 F.3d 154, 161 (2d Cir. 2000) (internal quotation marks and citations omitted).

- (a) To employ any device, scheme, or artifice to defraud,
- (b) To make any untrue statement of a material fact or to omit to state a material fact necessary in order to make the statements made, in the light of the circumstances under which they were made, not misleading, or
- (c) To engage in any act, practice, or course of business which operates or would operate as a fraud or deceit upon any person, in connection with the purchase or sale of any security.³⁴

Section 10(b) and Rule 10b-5 require a showing “that the defendant made a false statement or omitted a material fact, with scienter, and that plaintiff’s reliance on defendant’s action caused plaintiff injury.”³⁵

The standard for materiality is the same under Section 10(b) and Rule 10b-5 as the standard discussed above under Regulation S-K.³⁶ Thus, information is material if it is likely that a reasonable investor would consider it important in determining whether to buy, sell, or hold a Company’s stock.³⁷ The inquiry is whether the omitted information would “alter[] the total mix of information made available.”³⁸ With respect to omissions of material fact, it is not the case that companies must disclose all material information about their operations to shareholders. Rather, a duty to disclose must exist, either because of statement made by the company that makes the omission misleading or because of a statutory duty.³⁹ “Even with respect to information that a reasonable investor might consider material, companies can control what they have to disclose under these provisions by controlling what they say to the market.”⁴⁰ Item 303 of Regulation S-K also creates a duty to disclose information.⁴¹ Thus, a violation of Regulation S-K may create a duty to disclose and give rise to a cause of action under Section 10(b) and Rule 10b-5 if all other elements are present, just as a misleading or incomplete disclosure may create a duty to disclose.⁴²

³⁴ 17 C.F.R. 240.10b-5.

³⁵ *San Leandro Emergency Medical Group Profit Sharing Plan v. Philip Morris Cos.*, 75 F.3d 801, 808 (2d Cir. 1996).

³⁶ *City of Roseville Empl. Ret. Sys. v. EnergySolutions, Inc.*, 814 F. Supp. 2d 395, 426 (S.D.N.Y. 2011).

³⁷ *Basic Inc.*, 485 U.S. 224, 231-232 (1988).

³⁸ *Id.*

³⁹ *Matrixx Initiatives, Inc. v. Siracusano*, 563 U.S. 27, 44-45 (2011) (“Moreover, it bears emphasis that § 10(b) and Rule 10b-5(b) do not create an affirmative duty to disclose any and all material information. Disclosure is required under these provisions only when necessary to make . . . statements made, in the light of the circumstances under which they were made, not misleading.”); *In re Time Warner Inc. Sec. Litig.*, 9 F.3d 259, 268 (2d Cir. 2000).

⁴⁰ *Matrixx Initiatives, Inc.*, 563 U.S. at 45.

⁴¹ *Stratte-McClure v. Stanley*, 776 F.3d 94, 107 (2d Cir. 2015) (“We conclude that, as a matter of first impression in this Court, a failure to make a required disclosure under Item 303 of Regulation S-K, 17 C.F.R. § 229.303(a)(3)(ii), in a 10-Q filing is an omission that can serve as the basis for a Section 10(b) securities fraud claim, if the omission satisfies the materiality requirements outlined in *Basic v. Levinson*, 485 U.S. at 224, and if all of the other requirements to sustain an action under Section 10(b) are fulfilled.”).

⁴² *Id.*

A. Disclosure about Crime Guns

The failure to disclose information about Ruger firearms used in crimes is a material omission in violation of Section 10(b) and Rule 10b-5. This information is material, for the reasons outlined above. In particular, the information about Ruger firearms' usage in criminal activity is information which a reasonable investor would use to gauge the likelihood of reputational harm to the Company, the risk of regulatory oversight or enforcement, and the risk of litigation from victims of crimes. Just as adverse events may be material for pharmaceutical companies (even absent statistically significant numbers of such events), information about Ruger firearms used in crimes – including trend data that would show whether this has worsened or improved and data indicating how guns are being diverted or trafficked – is material and should be disclosed to investors.⁴³

The Company's statements about the end users of its products render misleading the omission of information about Ruger firearms used in crimes. The available data suggests that Ruger firearms are among the most frequently used crime guns. However, the Company's disclosures about usage of its firearms suggest that Ruger firearms are the choice of responsible gun owners. Indeed, the Company's most recent Form 10-K filing describes end users of its products thusly: "sportsmen, hunters, people interested in self-defense, law enforcement and other governmental organizations, and gun collectors."⁴⁴ While it may be true that this is a sample of some of the end users, the Company's statements are misleading without further information about end usage of its firearms. It misleads investors to suggest that the market for the company's firearms is limited to sellers with wholly lawful purpose and a corrective disclosure is necessary to make these statements, "in the light of the circumstances under which they were made, not misleading."⁴⁵ The omission of a sizable category of end users – those who use the firearms to intimidate and other people and to further criminal enterprises – thus violates Section 10(b) and Rule 10b-5.

B. Disclosure about Risk Management and Distribution Chain Management

The failure to disclose information about how Ruger is managing risks associated with the criminal use of its products – reputational harm, regulatory enforcement, and the risk of litigation – violates Section 10(b) of the Securities Exchange Act and Rule 10b-5. Given the potential harm to Ruger's reputation and finances, a reasonable shareholder would want to know the

⁴³ *Matrixx Initiatives, Inc.*, 563 U.S. at 44 ("the mere existence of reports of adverse events--which says nothing in and of itself about whether the drug is causing the adverse events--will not satisfy [the materiality] standard. Something more is needed, but that something more is not limited to statistical significance and can come from the source, content, and context of the reports, This contextual inquiry may reveal in some cases that reasonable investors would have viewed reports of adverse events as material even though the reports did not provide statistically significant evidence of a causal link." (citations and internal quotation marks omitted)).

⁴⁴ Sturm, Ruger & Company, Inc., Form 10-K (filed Feb. 24, 2016), available at: <https://www.sec.gov/Archives/edgar/data/95029/000117494716002118/0001174947-16-002118-index.htm>.

⁴⁵ *Matrixx Initiatives, Inc.*, 563 U.S. at 44-45.

Company's assessment of these risks, how the Company is mitigating these risks, and whether the Company has in place a planned response in the event that these harms come to fruition. In particular, a reasonable shareholder would want to know whether Ruger has policies in place with respect to distribution to dealers that sell hundreds of crime guns each year.

The Company has a duty to disclose this information because, as detailed above, Regulation S-K requires disclosure of material risks, trends, and uncertainties.

V. Conclusion

For the foregoing reasons, I ask that you investigate whether Ruger has violated Regulation S-K, by omitting from its regular SEC filings information about material risks, trends, and uncertainties, and Section 10(b) of the Securities Exchange Act and SEC Rule 10b-5 by omitting material information about the frequency with which Ruger firearms are used in connection with crimes and about the risk environment in which the Company operates.

Sincerely,

A handwritten signature in black ink that reads "Letitia James". The signature is written in a cursive, flowing style.

Letitia James

Public Advocate for the City of New York