

**Early Conversion of the Schering-Plough Preferred Stock
Upon a Make-Whole Acquisition**

This summary describes certain material U.S. federal income tax consequences of the conversion of the 6.00% mandatory convertible preferred stock of Schering-Plough (the "Schering-Plough preferred stock") upon a Make-Whole Acquisition (as defined by Schering-Plough's Certificate of Incorporation) to a holder of Schering-Plough preferred stock who

- is a U.S. individual citizen or resident, and
- holds his or her shares of Schering-Plough preferred stock as a capital asset within the meaning of the Internal Revenue Code of 1986, as amended (the "Code").

If you are not described in the foregoing sentence or if you are otherwise subject to special treatment under U.S. federal income tax laws, the U.S. federal income tax consequences of the conversion to you may be significantly different from the consequences described below.

Determining the actual tax consequences of a conversion of Schering-Plough preferred stock upon a Make-Whole Acquisition to you is complex and will depend on your specific situation. You are urged to consult your tax adviser to determine the particular tax consequences to you of such a conversion.

Make-Whole Acquisition

The Merck and Schering-Plough transaction will constitute a Make-Whole Acquisition (as defined by Schering-Plough's Certificate of Incorporation). Consequently, a holder of Schering-Plough preferred stock will have an option, exercisable within a 15-day period after the effective date of such transaction, to convert his or her shares of Schering-Plough preferred stock, in whole or in part, into cash consideration and share consideration (with cash paid in lieu of any fractional shares) based on a specified Make-Whole Acquisition Conversion Rate. The Make Whole Acquisition Conversion Rate for such transaction will be determined with reference to a specified table based on the exact effective date of such transaction and the average daily closing prices on the NYSE for the Schering-Plough common stock over the 10 consecutive trading days up to, but not including, the effective date of such transaction. In addition to such cash and share consideration, a holder who converts his or her shares during the 15-day Make-Whole Acquisition period will receive cash equal to the sum of any accrued, cumulated and unpaid dividends on the converted shares and cash equal to the present value of all remaining future dividend payments on the converted share through and including August 13, 2010 (excluding certain unpaid dividends) discounted at a rate equal to 6.75%.

By way of example, assume that a holder owns 100 shares of Schering-Plough preferred stock. Assume further that the effective date of the Merck and Schering-Plough transaction is August 15, 2009 and the 10-day average trading price for the Schering-Plough common stock equals \$25.00. Based on these assumptions, the specified table provides that the Make-Whole Acquisition Conversion Rate would equal 8.5305. If Shareholder elects to convert all 100 shares during the 15-day Make-Whole Acquisition period, Shareholder would receive:

- Cash equal to \$8,957.03 [$\$10.50 \times 8.5305 \times 100$ shares];
- 491.9539 shares of New Merck common stock [$0.5767 \times 8.5305 \times 100$ shares], with cash paid in lieu of fractional shares of New Merck common stock;
- Cash equal to any accrued, cumulative and unpaid dividends on the converted shares; and
- Cash equal to the present value of all remaining future dividend payments on the converted shares.

For additional information, holders of Schering-Plough preferred stock may refer to “Notice of Make-Whole Acquisition”, available at the Investor Relations – Shareholder Information – Notice to Holders of 6% Mandatory Convertible Preferred Stock of Schering-Plough Corporation section of Merck’s website at www.merck.com.¹

Tax Treatment of a Conversion

For U.S. federal income tax purposes, the conversion of Schering-Plough preferred stock into New Merck common stock and cash during the 15-day Make-Whole Acquisition period generally should be characterized as a recapitalization within the meaning of Section 368(a)(1)(E) of the Code with the receipt of boot. Assuming such characterization prevails, the following describes certain material U.S. federal income tax consequences to a holder who converts Schering-Plough preferred stock during the 15-day Make-Whole Acquisition period:

- Except for cash received in lieu of fractional shares and cash received for accrued, cumulative and unpaid dividends, each of which is described below, such holder generally will recognize gain, but not loss, on the conversion in an amount equal to the lesser of (i) the cash received or (ii) the excess, if any, of (A) the sum of the cash received and the fair market value of the shares of New Merck common stock received on the conversion (including any fractional shares of New Merck common stock for which cash is received) over (B) such holder’s adjusted tax basis in the converted shares immediately prior to the conversion. The character of any such gain recognized as either dividend income or capital gain is uncertain and will depend on the holder’s specific situation.
- Such holder’s aggregate adjusted tax basis of the New Merck common stock received on the conversion (including any fractional shares for which cash is received) generally will equal the adjusted tax basis of the converted shares (i) reduced by any cash received (excluding any cash received in lieu of fractional shares and cash received for accrued, cumulative and unpaid dividends) and (ii) increased by the amount of any gain (other than any gain recognized with respect to the receipt of cash in lieu of any fractional shares, but including any gain treated as dividend income on such conversion).
- Such holder’s holding period of the shares of New Merck common stock received on the conversion (including any fractional shares for which cash is received) generally will include the period during which the converted shares were held prior to the conversion.
- Any cash received in lieu of fractional shares generally will be treated as a payment in a taxable exchange for such fractional shares, and such holder will recognize gain or loss on the receipt of such cash equal to the difference between the amount of such cash and the adjusted tax basis allocated to such fractional shares.
- Any cash received for accrued, cumulative and unpaid dividends on the converted shares generally will be taxable to such holder as dividend income to the extent of the combined current or accumulated earnings and profits of Schering-Plough and Merck (as determined under U.S. federal income tax principles).

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IRS Circular 230 Disclosure: Any U.S. tax advice herein (or in any attachments hereto) was not intended or written to be used, and cannot be used, by any taxpayer to avoid U.S. tax penalties. Any such tax advice that is used or referred to by others to promote, market or recommend any entity, plan or arrangement should be construed as written in connection with that promotion, marketing or recommendation, and the taxpayer should seek advice based on the taxpayer’s particular circumstances from an independent tax advisor.

¹ <http://www.merck.com/investors/stockholder-services/home.html>