SCHERING PLOUGH CORP
Form S-4/A
June 16, 2009

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As filed with the Securities and Exchange Commission on June 16, 2009
Registration No. 333-159371

UNITED STATES SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

Amendment No. 1
to
Form S-4
REGISTRATION STATEMENT
UNDER
THE SECURITIES ACT OF 1933

SCHERING-PLOUGH CORPORATION
(Exact name of registrant as specified in its charter)

New Jersey	**2834**	**22-1918501**
(State of Incorporation)	*(Primary Standard Industrial Classification Code Number)*	*(I.R.S. Employer Identification No.)*

2000 Galloping Hill Road
Kenilworth, NJ 07033
(908) 298-4000
(Address, including zip code, and telephone number, including area code, of registrant s principal executive offices)

Susan Ellen Wolf
Corporate Secretary, Vice President Governance, and Associate General Counsel
Schering-Plough Corporation
2000 Galloping Hill Road
Mailstop K-1-4525
Kenilworth, NJ 07033
(908) 298-4000
(Name, address, including zip code, and telephone number, including area code, of agent for service)

With copies to:

David N. Shine Philip Richter Fried, Frank, Harris, Shriver & Jacobson LLP One New York Plaza	Celia A. Colbert Senior Vice President, Secretary and Assistant General Counsel Merck & Co., Inc.	Andrew R. Brownstein Gavin D. Solotar Wachtell, Lipton, Rosen & Katz 51 West 52nd Street New York, NY 10019

New York, NY 10004 (212) 859-8000	One Merck Drive Whitehouse Station, NJ 08889 (908) 423-1000	(212) 403-1000

Approximate date of commencement of proposed sale of securities to the public: As soon as practicable after this Registration Statement is declared effective and all other conditions to the merger (including receipt of certain regulatory approvals) contemplated by the Agreement and Plan of Merger, dated as of March 8, 2009, described in the enclosed joint proxy statement/prospectus, have been satisfied or waived and the merger has been completed as described in the enclosed joint proxy statement/prospectus.

If the securities being registered on this Form are being offered in connection with the formation of a holding company and there is compliance with General Instruction G, check the following box. o

If this Form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. o

If this Form is a post-effective amendment filed pursuant to Rule 462(d) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. o

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of large accelerated filer, accelerated filer and smaller reporting company in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer þ	Accelerated filer o	Non-accelerated filer o	Smaller reporting company o

(Do not check if a smaller reporting company)

If applicable, place an X in the box to designate the appropriate rule provision relied upon in conducting this transaction:

Exchange Act Rule 13e-4(i) (Cross-Border Issuer Tender Offer) o

Exchange Act Rule 14d-1(d) (Cross-Border Third-Party Tender Offer) o

The Registrant hereby amends this Registration Statement on such date or dates as may be necessary to delay its effective date until the Registrant shall file a further Amendment which specifically states that this Registration Statement shall thereafter become effective in accordance with Section 8(a) of the Securities Act or until this Registration Statement shall become effective on such date as the Securities and Exchange Commission, acting pursuant to said Section 8(a), may determine.

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The information in the attached joint proxy statement/prospectus is not complete and may be changed. The registrant may not sell the securities described herein until the registration statement filed with the Securities and Exchange Commission is declared effective. The attached joint proxy statement/prospectus is not an offer to sell these securities and it is not soliciting an offer to buy these securities in any jurisdiction where the offer or sale is not permitted.

PRELIMINARY SUBJECT TO COMPLETION, DATED JUNE 16, 2009

Dear Shareholders:

The boards of directors of Merck & Co., Inc. and Schering-Plough Corporation have approved a merger agreement providing for the combination of our two companies.

We expect that this combination will create a strong, global healthcare leader uniquely positioned for sustainable long-term growth through:

- scientific innovation, with a combined team of top scientists focused on discovering, developing and delivering innovative treatments for patients around the world;
- a stronger, more diversified product portfolio with an expanded geographic footprint and an industry-leading team of marketing and sales professionals; and
- a strong financial base, to be further strengthened by synergies expected to be recognized from the combination, to support further investments in research and strategic opportunities to build for the future.

In addition, the combined company expects to continue Merck s current practice of paying quarterly dividends of $0.38 per share.

Merck and Schering-Plough will each hold a special meeting of shareholders to consider and vote on a proposal to approve the merger agreement. You will find the notice of meeting, logistics of the proposed combination and details in the attached documents. We encourage you to participate in the governance of your company by voting. Your vote is critical, because we cannot complete the merger unless the shareholders of both Merck and Schering-Plough approve the respective proposals related to the merger.

We enthusiastically support this combination of our companies and join with our boards in recommending that you vote **FOR** the approval of the merger agreement.

Sincerely,

Richard T. Clark
Chairman, President and Chief Executive Officer Merck & Co., Inc.

Sincerely,

Fred Hassan
Chairman and Chief Executive Officer
Schering-Plough Corporation

For a discussion of risk factors which you should consider in evaluating the transaction, see Risk Factors beginning on page 17 of the attached joint proxy statement/prospectus.

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved the merger and other transactions described in the attached joint proxy statement/prospectus or the securities to be issued pursuant to the merger under the attached joint proxy statement/prospectus nor have they determined if the attached joint proxy statement/prospectus is accurate or adequate. Any representation to the contrary is a criminal offense.

The attached joint proxy statement/prospectus is dated [ ], 2009, and
is first being mailed to shareholders on or about [ ], 2009.

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NOTICE OF SPECIAL MEETING OF SHAREHOLDERS
To be held August 7, 2009

The Special Meeting of Shareholders of Schering-Plough Corporation will be held at The Conference Center at Harvard Medical, 77 Avenue Louis Pasteur, Boston, Massachusetts, on August 7, 2009, at 1:30 p.m. local time. Directions to The Conference Center at Harvard Medical are available at http://www.theconfcenter.hms.harvard.edu/directions. The purposes of the meeting are to vote on the following matters and to transact such other business that may properly come before the meeting:

Consider and act on a proposal to approve the Agreement and Plan of Merger, dated as of March 8, 2009, by and among Merck & Co., Inc., Schering-Plough Corporation, SP Merger Subsidiary One, Inc. (formerly Blue, Inc.), and SP Merger Subsidiary Two, Inc. (formerly Purple, Inc.), as it may be amended (the merger agreement) and the issuance of shares of common stock in the merger contemplated by the merger agreement. The Board recommends a vote **FOR** this proposal.

Approve any adjournment of the Schering-Plough Special Meeting (including, if necessary, to solicit additional proxies if there are not sufficient votes to approve the merger agreement and the issuance of shares of common stock in the merger). The Board recommends a vote **FOR** this proposal.

Only holders of record of common shares at the close of business on June 22, 2009 will be entitled to vote at the meeting or any adjournments or postponements thereof.

For the security of everyone attending the meeting, a shareholder must present both an admission ticket and photo identification to be admitted to the Special Meeting of Shareholders. The process for shareholders to obtain an admission ticket from Schering-Plough s transfer agent, BNY Mellon, is described in the attached joint proxy statement/prospectus on page 44.

Your vote is important. Whether or not you plan to attend the meeting, please vote in advance by proxy in whichever way is most convenient in writing, by telephone or by the Internet.

We appreciate your investment in Schering-Plough. We encourage you to participate in Schering-Plough s governance by voting.

Susan Ellen Wolf
Corporate Secretary and
Vice President Governance

Kenilworth, New Jersey
[ ], 2009

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NOTICE OF SPECIAL MEETING OF SHAREHOLDERS
August 7, 2009

To the Shareholders:

The shareholders of Merck & Co., Inc. will hold a special meeting on August 7, 2009 at 8:30 a.m., local time, at the Bridgewater Marriott located at 700 Commons Way, Bridgewater, New Jersey. The purposes of the meeting are to:

1. Consider and act on a proposal to approve the Agreement and Plan of Merger, dated as of March 8, 2009, by and among Merck & Co., Inc., Schering-Plough Corporation, SP Merger Subsidiary One, Inc. (formerly Blue, Inc.), and SP Merger Subsidiary Two, Inc. (formerly Purple, Inc.), as it may be amended (the merger agreement); and

2. Transact any other business that may properly come before the meeting.

Only shareholders listed on the company s records at the close of business on June 22, 2009 are entitled to vote at the special meeting or at any adjournments or postponements of the special meeting.

We cannot complete the transactions contemplated by the merger agreement unless a quorum (comprised of holders of a majority of the outstanding shares of Merck common stock) is present at the special meeting in person or by proxy, and a majority of the votes cast are cast in favor for approval of the merger agreement.

For more information about the transactions contemplated by the merger agreement, please review carefully the accompanying joint proxy statement/prospectus and the merger agreement attached to it as Annex A.

Your vote is important. Whether or not you plan to attend the special meeting, please vote in advance by proxy in whichever way is most convenient by Internet, telephone or mail.

By Order of the Board of Directors,

Celia A. Colbert
Senior Vice President, Secretary and
Assistant General Counsel

Whitehouse Station, New Jersey
[ ], 2009

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The information in this joint proxy statement/prospectus is not complete and may be changed. The registrant may not sell the securities described herein until the registration statement filed with the Securities and Exchange Commission is declared effective. This joint proxy statement/prospectus is not an offer to sell these securities and it is not soliciting an offer to buy these securities in any jurisdiction where the offer or sale is not permitted.

PRELIMINARY SUBJECT TO COMPLETION, DATED JUNE 16, 2009

The board of directors of Schering-Plough Corporation (Schering-Plough) and Merck & Co., Inc. (Merck) have approved a merger agreement providing for the combination of the two companies in a stock and cash transaction in which Schering-Plough, renamed Merck & Co., Inc., will continue as the surviving company (referred to in this joint proxy statement/prospectus as New Merck) and Merck will become a wholly owned subsidiary of New Merck.

In the merger, Schering-Plough shareholders will receive $10.50 in cash and 0.5767 of a share of the common stock of the combined company for each share of Schering-Plough common stock they hold and Merck shareholders will receive one share of common stock of the combined company for each share of Merck common stock they hold. The combined company expects to continue Merck s current practice of paying quarterly dividends of $0.38 per share.

A total of approximately 3,099,067,269 shares of the combined company will be offered to the Merck and Schering-Plough shareholders in the merger. Immediately after the merger, the former shareholders of Merck and Schering-Plough will own approximately 68% and 32%, respectively, of the shares of the combined company, which we expect will be listed on the New York Stock Exchange and traded under the symbol MRK.

For a discussion of risk factors which you should consider in evaluating the transaction, see Risk Factors beginning on page 17.

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved the merger and other transactions described in this joint proxy statement/prospectus or the securities to be issued pursuant to the merger under this joint proxy statement/prospectus nor have they determined if this joint proxy statement/prospectus is accurate or adequate. Any representation to the contrary is a criminal offense.

This joint proxy statement/prospectus is dated [1], 2009, and
is first being mailed to shareholders on or about [1], 2009.

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REFERENCES TO ADDITIONAL INFORMATION

This joint proxy statement/prospectus incorporates important business and financial information about Merck and Schering-Plough from other documents that are not included in or delivered with this joint proxy statement/prospectus. This information is available for you to review at the Securities and Exchange Commission s (SEC) public reference room located at 100 F Street, N.E., Room 1580, Washington, DC 20549, and through the SEC s website, www.sec.gov. You can also obtain those documents incorporated by reference in this joint proxy statement/prospectus by requesting them in writing or by telephone from the appropriate company at the following addresses and telephone numbers:

Merck & Co., Inc.
One Merck Drive
P.O. Box 100
Whitehouse Station, NJ 08889
1-908-423-7845
Attention: Stockholder Services Dept, WS3AB-40
www.merck.com/finance

Schering-Plough Corporation
2000 Galloping Hill RoadKenilworth, NJ 07033
1-908-298-7436
Attention: Investor Relations
www.schering-plough.com/investor-relations/index.aspx

If you would like to request documents, please do so no later than July 31, 2009 in order to receive them before the special meetings.

See Where You Can Find More Information beginning on page 157 for more information about the documents referenced in this joint proxy statement/prospectus.

In addition, if you have any questions about the merger, this joint proxy statement/prospectus, voting your shares, would like additional copies of this joint proxy statement/prospectus or need to obtain proxy cards or other information related to the proxy solicitation, you may contact:

IF YOU ARE A MERCK SHAREHOLDER:
Laurel Hill Advisory Group, LLC
100 Wall Street, 22nd Floor
New York, NY 10005
1-888-742-1305

IF YOU ARE A SCHERING-PLOUGH SHAREHOLDER:
Georgeson Shareholder Communications, Inc.
199 Water Street, 26th Floor
New York, NY 10038
1-866-288-2190

For strategic and financial issues:
Alex Kelly
Group Vice President
Global Communications
and Investor Relations
Schering-Plough Corporation
2000 Galloping Hill Road
Mail Stop: K-1-4-4275
Kenilworth, NJ 07033
Phone: (908) 298-7436
Fax: (908) 298-7082

For governance and social issues:

Susan Ellen Wolf
Corporate Secretary and Vice President
Corporate Governance
Schering-Plough Corporation
2000 Galloping Hill Road
Mail Stop: K-1-4-4275
Kenilworth, NJ 07033
Phone: (908) 298-3636
Fax: (908) 298-7303

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QUESTIONS AND ANSWERS ABOUT THE VOTING PROCEDURES FOR THE SPECIAL MEETINGS

Q: What is the proposed transaction for which I am being asked to vote?

A: You are being asked to approve a merger agreement providing for the combination of Merck and Schering-Plough. In order to complete the merger, Merck shareholders must vote to approve the merger agreement and Schering-Plough shareholders must vote to approve the merger agreement and the issuance of shares of common stock of New Merck in the merger. Merck and Schering-Plough will hold separate special shareholders meetings to obtain these approvals. This joint proxy statement/prospectus contains important information about the merger, including the special meetings of the respective shareholders of Merck and Schering-Plough. You should read it carefully and in its entirety. The enclosed proxy card or voting instruction card allows you to vote your shares without attending your company s special meeting.

Your vote is important. We encourage you to vote as soon as possible.

Q: When and where will the special meetings be held?

A: The Merck special meeting is scheduled to be held at 8:30 a.m., local time, on August 7, 2009, at the Bridgewater Marriott located at 700 Commons Way, Bridgewater, NJ. The Schering-Plough special meeting is scheduled to be held at 1:30 p.m., local time, on August 7, 2009, at The Conference Center at Harvard Medical, 77 Avenue Louis Pasteur, Boston, MA.

Q: Who is entitled to vote at the Merck and Schering-Plough special meetings?

A: The boards of directors of each of Merck and Schering-Plough has fixed June 22, 2009 as the record date for its respective special meeting. If you were a Merck or Schering-Plough shareholder at the close of business on the record date you are entitled to vote your Merck or Schering-Plough shares at your company s special meeting.

Q: How many votes do I have?

A: You are entitled to one vote at the Merck special meeting for each share of Merck common stock that you owned as of the record date. As of the close of business on [ ], 2009, there were approximately [ ] outstanding shares of Merck common stock. As of that date, less than 1% of the outstanding shares of Merck common stock were held by the directors and executive officers of Merck.

You are entitled to one vote at the Schering-Plough special meeting for each share of Schering-Plough common stock that you owned as of the record date. As of the close of business on [ ], 2009, there were approximately [ ] outstanding shares of Schering-Plough common stock. As of that date, less than [ ]% of the outstanding shares of Schering-Plough common stock were held by the directors and executive officers of Schering-Plough.

Q: What constitutes a quorum?

A: Shareholders who hold at least a majority of the outstanding shares of Merck common stock as of the close of business on the record date and who are entitled to vote must be present, either in person or represented by proxy, in order to constitute a quorum to conduct business at the Merck special meeting.

Shareholders who hold at least a majority of the outstanding shares of Schering-Plough common stock as of the close of business on the record date and who are entitled to vote must be present, either in person or represented by proxy, in order to constitute a quorum to conduct business at the Schering-Plough special meeting.

Q: What vote is required to approve the merger agreement?

A: As long as a quorum is present at the companies respective special meetings, the affirmative vote of a majority of the votes cast at the special meeting is required for each of Merck and Schering-Plough to approve the merger agreement. Moreover, in the case of Schering-Plough, the rules of the New York Stock Exchange require that holders of at least a majority of the outstanding shares of Schering-Plough common

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stock actually cast votes on the proposal to approve the merger agreement (whether for or against the proposal).

Q: What is the difference between holding shares as a shareholder of record or in street name ?

A: If your shares are registered directly in your name with Merck s transfer agent, Wells Fargo Bank, N.A., or with Schering-Plough s transfer agent, BNY Mellon, as the case may be, you are considered, with respect to those shares, the shareholder of record. If you are a shareholder of record, this joint proxy statement/prospectus and the enclosed proxy card have been sent directly to you by Merck or Schering-Plough.

If your shares are held in a stock brokerage account or by a bank or other nominee, you are considered the beneficial owner of shares held in street name. This joint proxy statement/prospectus has been forwarded to you by your broker, bank or nominee who is considered, with respect to those shares, the shareholder of record. As the beneficial owner of shares held in street name, you have the right to direct your broker, bank or nominee how to vote your shares by using the voting instruction card included with this joint proxy statement/prospectus or by following their instructions for voting by telephone or the Internet.

Q: How do I vote?

A: In order to ensure that your vote is recorded, please submit your proxy or voting instructions as instructed below as soon as possible even if you plan to attend your company s special meeting in person.

Mail. You can vote by mail by completing, signing, dating and mailing your proxy card or voting instruction card in the postage-paid envelope included with this joint proxy statement/prospectus.

Vote by Telephone or Internet. If you are a shareholder of record (that is, if you hold your shares in your own name), you may vote by telephone (toll-free) or the Internet by following the instructions on your proxy and voting instruction card. If your shares are held in the name of a bank, broker or other holder of record (that is, in street name), and if the bank or broker offers telephone and Internet voting, you will receive instructions from them that you must follow in order for your shares to be voted. If you vote by telephone or the Internet, you do not need to return your proxy and voting instruction card.

In addition, all shareholders may vote in person at their company s special meeting. You may also be represented by another person at the meeting by executing a proper proxy designating that person. If you are a beneficial owner of shares held in street name, you must obtain a legal proxy from your broker, bank or nominee and present it to the inspectors of election with your ballot when you vote at the meeting.

Q: How will my proxy be voted?

A: If you vote by Internet, by telephone or by completing, signing, dating and mailing your proxy card or voting instruction card, your shares will be voted in accordance with your instructions. If you are a shareholder of record and you sign, date, and return your proxy card but do not indicate how you want to vote or do not indicate that you wish to abstain, your shares will be voted in favor of the approval of the merger agreement.

Q: Who can attend the Merck and Schering-Plough special meetings?

A: All Merck shareholders as of the record date may attend the Merck special meeting but must have an admission ticket. If you are a shareholder of record, the ticket attached to the proxy card will admit you

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and one guest. If you are a beneficial owner of Merck shares held in street name, you may request a ticket by writing to the following address:

Office of the Secretary, WS 3AB-05
Merck & Co., Inc.
P.O. Box 100
Whitehouse Station, NJ 08889-0100

or by faxing your request to 908-735-1224. You must provide evidence of your ownership of shares with your ticket request, which you can obtain from your broker, bank or nominee. We encourage you or your broker, bank or nominee to fax your ticket request and proof of ownership in order to avoid any mail delays.

All Schering-Plough shareholders as of the record date may attend the Schering-Plough special meeting with an admission ticket and a photo identification. To get an admission ticket, Schering-Plough shareholders must write to Schering-Plough s transfer agent, BNY Mellon, using the following address:

BNY Mellon Shareowner Services
480 Washington Boulevard
29th Floor
Jersey City, NJ 07310
Attn: Ann-Marie Webb

If you are a record shareholder (your shares are held in your name), you must list your name exactly as it appears on your stock ownership records from BNY Mellon. If you hold shares through a bank, broker or trustee, you must also include a copy of your latest bank or broker statement showing your ownership.

Q: Can I change my vote after I have submitted a proxy or voting instruction card?

A: Yes. If you are a shareholder of record you can change your vote at any time before your proxy is voted at your special meeting. You can do this in one of three ways:

you can send a signed notice of revocation to the Secretary of Merck or the Corporate Secretary of Schering-Plough, as appropriate;

you can submit a revised proxy bearing a later date by Internet, telephone or mail as described above; or

you can attend your company s special meeting and vote in person, which will automatically cancel any proxy previously given, or you may revoke your proxy in person, but your attendance alone will not revoke any proxy that you have previously given.

If you choose either of the first two methods, you must submit your notice of revocation or your new proxy no later than the beginning of the applicable special meeting. If you are a beneficial owner of shares held in street name, you may submit new voting instructions by contacting your broker, bank or nominee. You may also vote in person at the special meeting if you obtain a legal proxy from your broker, bank or nominee and present it to the inspectors of election with your ballot when you vote at the meeting.

Additional information on changing your vote is located on page 40 for Merck and on page 45 for Schering-Plough.

Q: As a participant in Merck s 401(k) or similar employee retirement plan(s), how do I vote shares held in my plan account?

A: If you are a participant in the Merck & Co., Inc. Employee Savings and Security Plan, Merck & Co., Inc. Employee Stock Purchase and Savings Plan, Hubbard LLC Employee Savings Plan, Merck Puerto Rico Employee Savings and Security Plan, Merck Frosst Canada Inc. Stock Purchase Plan (Merck Frosst Plan) or Merial 401(k) Savings Plan (Merial Plan), you should have received separate proxy voting instruction cards from the plan trustees and you have the right to provide voting directions to the plan trustee by submitting your voting instruction card for those shares of Merck common stock that are held by your plan and allocated to your plan account on the approval of the merger agreement.

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Q: If I am a participant in one of the Merck retirement plans mentioned above, what happens if the plan trustee does not receive voting instructions from me?

A: If voting instructions are not received from participants in the Merck Frosst Plan, the plan trustee will vote the shares in accordance with the recommendation of the Merck board of directors.

If voting instructions are not received from participants in the Merial Plan, the plan trustee will vote the shares in the same proportion as it votes shares for which voting instructions are received from plan participants.

If voting instructions are not received from participants in the plans other than the Merck Frosst Plan and the Merial Plan mentioned above, trustees for the other plans will not vote shares for which no voting instructions are received from plan participants.

Q: As a participant in Schering-Plough s employees savings plans, how do I vote shares held in my plan account?

A: If you are a current or former Schering-Plough employee with shares credited to an account under the Schering-Plough employees savings plan or the Schering-Plough Puerto Rico employees retirement savings plan, you will receive a proxy and voting instruction card.

If you do not give voting instructions to the plan trustee by mailing your proxy and voting instruction card or voting by telephone or the Internet, the trustee will vote shares you hold in the employees savings plan or in the Puerto Rico employees retirement savings plan in the same proportion as shares held in that plan for which voting instructions were timely received. To allow sufficient time for the trustee to vote your shares under either plan, your voting instructions must be received by 5:00 p.m. (Eastern Time) on Tuesday, August 4, 2009.

Q: Should I send in my share certificates now?

A: No. If you hold Schering-Plough share certificates, after we have completed the transaction, we will send you written instructions informing you how to exchange your share certificates. If you hold Merck share certificates, your share certificates will automatically represent an equal number of shares in New Merck after completion of the transaction.

Q: If I hold outstanding Merck stock options or restricted stock units, what do I need to do?

A: No action is necessary on your part. Immediately prior to the closing, each of your outstanding stock options and restricted stock units will automatically convert, on a one for one basis, to be a stock option exercisable for, or a restricted stock unit settled in, common shares of New Merck. This conversion is also described on page 101.

Q: If I hold Schering-Plough stock options or deferred stock units, what do I need to do?

A: No action is necessary on your part. Immediately prior to the closing, your outstanding stock options will automatically convert to options to purchase common shares of New Merck, pursuant to the conversion formulas described on page 102.

Outstanding deferred stock units granted prior to 2008 will be paid out in a single lump cash payment following the closing based on the higher of (a) the per share price paid for Schering-Plough stock in connection with the merger and (b) the highest closing price of Schering-Plough common shares during the 60 day period immediately prior to

and including the closing. Outstanding deferred stock units granted in and after 2008 will, immediately prior to the closing, automatically convert to stock awards in New Merck pursuant to the conversion formula described on page 102.

Q: When do you expect the merger to be completed?

A: Schering-Plough and Merck are working to complete the merger in the fourth quarter of 2009. However, the merger is subject to various regulatory approvals and other conditions, and it is possible that factors outside the control of both companies could result in the merger being completed at a later time, or not at

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all. There may be a substantial amount of time between the respective Schering-Plough and Merck special meetings and the completion of the merger. Schering-Plough and Merck hope to complete the merger as soon as reasonably practicable.

Q: Who can answer any questions I may have about the special meeting or the transaction?

A: Merck shareholders may call Laurel Hill Advisory Group, LLC toll-free at 1-888-742-1305 and banks and brokers may call collect at 1-917-338-3181 with any questions they may have.

For logistical questions, such as how to exchange shares, Schering-Plough shareholders may call Georgeson Shareholder Communications, Inc. toll-free at 1-866-288-2190 and banks and brokers may call 1-212-440-9800 with any questions they may have.

For other questions that Schering-Plough shareholders may have, the officers leading the Schering-Plough Shareholder Engagement Program remain your contacts:

For Strategic and Financial Issues:

Alex Kelly
Group Vice President
Global Communications and
Investor Relations
Schering-Plough Corporation
2000 Galloping Hill Road
Mail Stop: K-1-4-4275
Kenilworth, NJ 07033
Phone: (908) 298-7436
Fax: (908) 298-7082

For Governance and Social Issues:

Susan Ellen Wolf
Corporate Secretary and Vice President Corporate Governance
Schering-Plough Corporation
2000 Galloping Hill Road
Mail Stop: K-1-4-4525
Kenilworth, NJ 07033
Phone: (908) 298-3636
Fax: (908) 298-7303

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SUMMARY

This summary highlights selected material information from this joint proxy statement/prospectus and may not contain all of the information that is important to you. To understand the merger agreement fully and for a more complete description of the legal terms of the merger agreement, you should carefully read this entire joint proxy statement/prospectus and the other documents to which we have referred you, including the complete merger agreement included with this joint proxy statement/prospectus as Annex A. See Where You Can Find More Information beginning on page 157.

References to we or our and other first person references in this joint proxy statement/prospectus refer to both Schering-Plough and Merck, before completion of the merger. We refer to the combined company in this joint proxy statement/prospectus as New Merck, or the combined company.

Parties to the Merger Agreement

Merck & Co., Inc.

Merck is a global research-driven pharmaceutical company that discovers, develops, manufactures and markets a broad range of innovative products to improve human and animal health. Merck s operations are principally managed on a products basis and are comprised of two reportable segments: the pharmaceutical segment and the vaccines and infectious diseases segment. The pharmaceutical segment includes products consisting of therapeutic and preventive agents, sold by prescription, for the treatment of human disorders and sold by Merck primarily to drug wholesalers and retailers, hospitals, government agencies and managed health care providers such as health maintenance organizations, pharmacy benefit managers and other institutions. The vaccines and infectious diseases segment includes human health vaccine products consisting of preventative pediatric, adolescent and adult vaccines, primarily administered at physician offices, and infectious disease products consisting of therapeutic agents for the treatment of infection sold primarily to drug wholesalers and retailers, hospitals and government agencies.

Merck common stock (NYSE: MRK) is listed on the NYSE. The principal executive offices of Merck are located at One Merck Drive, Whitehouse Station, NJ 08889, and its telephone number is (908) 423-1000.

Additional information about Merck and its subsidiaries is included in the documents incorporated by reference into this joint proxy statement/prospectus. See Where You Can Find More Information on page 157.

Schering-Plough Corporation

Schering-Plough is a global innovation-driven, science-based health care company with leading prescription pharmaceutical, animal health and consumer health care products. Schering-Plough has business operations in more than 140 countries. Through its own biopharmaceutical research and collaborations with partners, Schering-Plough creates therapies that help save and improve lives around the world. Schering-Plough applies its research and development platform to prescription pharmaceuticals, animal health and consumer health care products. The prescription pharmaceuticals segment discovers, develops, manufactures and markets human pharmaceutical products. Within the prescription pharmaceuticals segment, Schering-Plough has a broad range of research projects and marketed products in six therapeutic areas: cardiovascular, central nervous system, immunology and infectious disease, oncology, respiratory and women s health. The animal health segment discovers, develops, manufactures and markets animal health products, including vaccines. The consumer health care segment develops, manufactures and markets over-the-counter (OTC), footcare and sun care products.

Schering-Plough common stock (NYSE: SGP) is listed on the NYSE. The principal executive offices of Schering-Plough are located at 2000 Galloping Hill Road, Kenilworth, NJ 07033, and its telephone number is (908) 298-4000.

Additional information about Schering-Plough and its subsidiaries is included in the documents incorporated by reference into this joint proxy statement/prospectus. See Where You Can Find More Information on page 157.

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SP Merger Subsidiary One, Inc.

SP Merger Subsidiary One, Inc., formerly known as Blue, Inc. and which is sometimes referred to in this joint proxy statement/prospectus as Merger Sub 1, is a wholly owned subsidiary of Schering-Plough formed solely for the purpose of implementing the Schering-Plough merger. It has not carried on any activities or operations to date, except for those activities incidental to its formation and undertaken in connection with the transactions contemplated by the merger agreement.

The principal executive offices of SP Merger Subsidiary One, Inc. are located at 2000 Galloping Hill Road, Kenilworth, NJ 07033, and its telephone number is (908) 298-4000.

SP Merger Subsidiary Two, Inc.

SP Merger Subsidiary Two, Inc., formerly known as Purple, Inc. and which is sometimes referred to in this joint proxy statement/prospectus as Merger Sub 2, is a wholly owned subsidiary of Schering-Plough formed solely for the purpose of implementing the Merck merger. It has not carried on any activities or operations to date, except for those activities incidental to its formation and undertaken in connection with the transactions contemplated by the merger agreement.

The principal executive offices of SP Merger Subsidiary Two, Inc. are located 2000 Galloping Hill Road, Kenilworth, NJ 07033, and its telephone number is (908) 298-4000.

The Transaction

The combination of Merck and Schering-Plough will be implemented by means of a two-step merger process.

In the first merger, which we refer to as the Schering-Plough merger, a wholly owned subsidiary of Schering-Plough will merge into Schering-Plough. Schering-Plough will continue as the surviving company in this merger, but will change its name to Merck & Co., Inc. We refer to the surviving company in this merger as New Merck. In the Schering-Plough merger, each outstanding share of Schering-Plough common stock will be converted into the right to receive $10.50 in cash and 0.5767 of a share of the common stock of New Merck. After the Schering-Plough merger, each share of Schering-Plough s 6% Mandatory Convertible Preferred Stock (Schering-Plough 6% preferred stock) will remain outstanding as one share of 6% Mandatory Convertible Preferred Stock of New Merck (New Merck 6% preferred stock).

In the second merger, which we refer to as the Merck merger, a second wholly owned subsidiary of Schering-Plough will merge with Merck. Merck will continue as the surviving company in this merger, but as a wholly owned subsidiary of New Merck. In this merger, each outstanding share of Merck common stock will automatically be converted into one share of the common stock of New Merck.

We expect that the former shareholders of Merck and Schering-Plough will own approximately 68% and 32%, respectively, of the outstanding common stock of New Merck. For additional information on the structure of the transaction, see The Merger Agreement beginning on page 100. The structure of the transaction is depicted below:

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Merck Board Recommendation

After careful consideration, the members of Merck s board of directors unanimously approved the merger agreement. For factors considered by the Merck board of directors in reaching its decision to approve the merger agreement, see The Transaction Merck s Reasons for the Transaction and Recommendation of Merck s Board of Directors beginning on page 59. The board of directors of Merck unanimously recommends that Merck shareholders vote **FOR** the approval of the merger agreement.

Schering-Plough Board Recommendation

After careful consideration, the members of Schering-Plough s board of directors unanimously approved the merger agreement and the issuance of shares of common stock in the merger. For factors considered by the Schering-Plough board of directors in reaching its decision to approve the merger agreement and the issuance of shares, see The Transaction Schering-Plough s Reasons for the Transaction and Recommendation of Schering-Plough s Board of Directors beginning on page 70. The board of directors of Schering-Plough unanimously recommends that Schering-Plough shareholders vote **FOR** the approval of the merger agreement and the issuance of shares of common stock in the merger.

Merck Financial Advisor s Opinion

At a meeting of the Merck board of directors on March 8, 2009, J.P. Morgan Securities Inc., which is referred to in this joint proxy statement/prospectus as J.P. Morgan, rendered its oral opinion, subsequently confirmed in writing, to the Merck board of directors that, as of such date and based upon and subject to the factors, limitations and assumptions set forth in its opinion, the consideration to be received by holders of shares of Merck common stock in the Merck merger, was fair from a financial point of view to such holders.

The full text of the written opinion of J.P. Morgan, dated March 8, 2009, which sets forth, among other things, the assumptions made, procedures followed, matters considered and limits on the opinion and review undertaken in connection with rendering its opinion, is attached as Annex B to this joint proxy statement/prospectus and is incorporated herein by reference. J.P. Morgan s opinion is addressed to the Merck board of directors, is directed only to the consideration in the proposed Merck merger and does not constitute a recommendation to any shareholder of Merck as to how such shareholder should vote with respect to the proposed Merck merger or any other matter. The summary of the opinion of J.P. Morgan set forth in this joint proxy statement/prospectus is qualified in its entirety by reference to the full text of such opinion. For additional information relating to the opinion of J.P. Morgan, see The Transaction Opinion of Merck s Financial Advisor beginning on page 64.

Schering-Plough Financial Advisors Opinions

Opinion of Goldman, Sachs & Co.

At a meeting of the Schering-Plough board of directors on March 8, 2009, Goldman, Sachs & Co., which is referred to in this joint proxy statement/prospectus as Goldman Sachs, rendered its oral opinion, subsequently confirmed in writing, to the Schering-Plough board of directors that, as of March 8, 2009 and based upon and subject to the factors and assumptions set forth therein, the $10.50 in cash and 0.5767 shares of New Merck common stock paid as consideration for each share of common stock of Schering-Plough to the holders (other than Merck and any of its affiliates) of such Schering-Plough common stock pursuant to the merger agreement was fair from a financial point of view to such holders.

The full text of the written opinion of Goldman Sachs, dated March 8, 2009, which sets forth assumptions made, procedures followed, matters considered and limitations on the review undertaken in connection with the opinion, is attached as Annex C to this joint proxy statement/prospectus and is incorporated herein by reference. Goldman Sachs provided its opinion for the information and assistance of the Schering-Plough board of directors in connection with its consideration of the transaction. The Goldman Sachs opinion is not a recommendation as to how any holder of Schering-Plough common stock should vote with respect to the transaction or any other matter. For additional information relating to the opinion of Goldman Sachs, see The

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Transaction Opinions of Schering-Plough s Financial Advisors Opinion of Goldman, Sachs & Co. beginning on page 73.

Opinion of Morgan Stanley & Co. Incorporated

At a meeting of the Schering-Plough board of directors on March 8, 2009, Morgan Stanley & Co. Incorporated, which is referred to in this joint proxy statement/prospectus as Morgan Stanley, rendered to the Schering-Plough board of directors its opinion that, as of such date and based upon and subject to the various assumptions, qualifications and limitations set forth in its opinion, the merger consideration to be received by the holders of shares of Schering-Plough s common stock pursuant to the merger agreement was fair from a financial point of view to such holders.

The full text of the written fairness opinion of Morgan Stanley, dated March 8, 2009, is attached as Annex D to this joint proxy statement/prospectus and is incorporated herein by reference. The opinion sets forth, among other things, the assumptions made, procedures followed, matters considered and qualifications and limitations of the reviews undertaken by Morgan Stanley in rendering its opinion. You should read the entire opinion carefully and in its entirety. Morgan Stanley s opinion is directed to the Schering-Plough board of directors and addresses only the fairness from a financial point of view of the merger consideration to be received by the holders of shares of Schering-Plough s common stock pursuant to the merger agreement as of the date of the opinion. It does not address any other aspect of the transaction and does not constitute a recommendation to the shareholders of Schering-Plough or Merck as to how to vote or act on any matter with respect to the transaction. For additional information relating to the opinion of Morgan Stanley, see The Transaction Opinions of Schering-Plough s Financial Advisors Opinion of Morgan Stanley & Co. Incorporated beginning on page 80.

Key Terms of Merger Agreement

Conditions to the Completion of the Transaction

As more fully described in this joint proxy statement/prospectus and in the merger agreement, the completion of the transaction depends on a number of conditions being satisfied or waived. These conditions include the receipt of the required approvals of Schering-Plough shareholders and Merck shareholders, the absence of an injunction or law issued by a governmental entity in the United States, the European Union or certain other jurisdictions enjoining or prohibiting the merger, the termination or expiration of the waiting period under the Hart-Scott-Rodino Antitrust Improvements Act of 1976, as amended, or HSR Act, the approval of the merger by the European Commission, and the termination or expiration of certain other antitrust waiting periods or receipt of certain approvals from specified jurisdictions outside the United States, the approval for listing of the shares of New Merck common stock issuable in the merger on the New York Stock Exchange, the accuracy of representations and warranties made by the parties in the merger agreement (subject to certain materiality and other exceptions), the performance by the parties of their material obligations under the merger agreement in all material respects, and the non-occurrence of a material adverse effect on either Schering-Plough or Merck since March 8, 2009. In addition, the obligation of Merck to complete the merger is subject to additional conditions, including no imposition, in connection with obtaining regulatory approval of the merger, of restrictions, required divestitures or other conditions reasonably likely to result in the one-year loss of net sales revenues to the combined company in excess of $1 billion based upon 2008 net sales revenues (excluding any loss of net sales revenues related to the license, sale, divestiture or other disposition or holding separate of Schering-Plough s animal health segment and Merck s direct or indirect interest in Merial Ltd.).

Notwithstanding the satisfaction or waiver of all of the conditions set forth in the merger agreement, if the proceeds of the financing are not available in full on the date that would otherwise be the closing date, Merck will not be required to effect the closing of the merger and, as such, the closing date will be delayed until the date on which the proceeds

of the financing are available in full. However, either Merck or Schering-Plough can terminate the merger agreement if the merger has not been consummated by a drop-dead date of December 8, 2009, provided that the drop-dead date on which the merger agreement may be

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terminated will be extended to March 8, 2010 if, on December 8, 2009, the closing conditions dealing with antitrust approvals, laws or injunctions prohibiting the merger and regulatory divestitures have not been satisfied but all other conditions to the merger have been satisfied; or the proceeds of the financing are not available to Merck in full but all other conditions to the merger have been satisfied or are then capable of being satisfied.

For additional information relating to the conditions to the completion of the transaction, see The Merger Agreement Conditions to the Transaction beginning on page 113.

Management of New Merck

Upon completion of the merger, the board of directors of New Merck will be comprised of the directors of Merck immediately prior to the merger and three persons who were directors of Schering-Plough immediately prior to completion of the merger, as well as those other individuals designated by Merck prior to the closing. Except as indicated by Merck prior to the closing, the officers of Merck immediately before the merger will, after the merger, be officers of New Merck holding the same offices at New Merck as they hold with Merck immediately before the merger.

For additional information on the management of New Merck, see The Merger Agreement Directors and Officers of New Merck beginning on page 101.

No Solicitation; Withdrawal of Board Recommendation

Merck, Schering-Plough and their respective subsidiaries and representatives may not, among other things:

- solicit any inquiries or the making of any acquisition proposal;
- engage in discussions or negotiations regarding an acquisition proposal or furnish to any third party any information in connection with an acquisition proposal;
- allow its board of directors to change its recommendation in favor of the merger agreement; or
- enter into any agreement relating to an acquisition proposal.

Notwithstanding these prohibitions, at any time prior to obtaining the approval of their respective shareholders for the merger agreement, the boards of directors of Merck and Schering-Plough may generally:

- engage in discussions or negotiations with a third party that has made a superior proposal or an acquisition proposal that the board determines in good faith could reasonably lead to a superior proposal and that the board determines in good faith is credible and reasonably capable of consummating a superior proposal;
- thereafter, furnish to the third party nonpublic information pursuant to a confidentiality agreement with terms no less materially favorable to Merck or Schering-Plough, as the case may be, than those contained in the confidentiality agreement between Merck and Schering-Plough, and including a standstill agreement no more materially favorable to such third party than any standstill or similar agreement applicable to Merck or Schering-Plough, as the case may be (provided that any such standstill or similar provision may allow such third party to make acquisition proposals to Merck or Schering-Plough, as the case may be, in connection with the negotiations or discussions permitted by the merger agreement); and

in response to a superior proposal or an intervening event, change its recommendation in favor of the merger agreement. Moreover, each must present the merger agreement to its shareholders for their approval or disapproval, even if it is no longer recommending the transaction. However, the board of directors of Schering-Plough may, in response to an acquisition proposal which the board determines in good faith is a superior proposal, terminate the merger agreement to enter into a definitive agreement with respect to the superior proposal and, therefore, need not hold its shareholder meeting to vote on the merger with Merck.

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For additional information on limitations on solicitation and withdrawal of board recommendations, see The Merger Agreement Restrictions on Solicitation of Third-Party Acquisition Proposals beginning on page 108.

Termination of the Merger Agreement

The merger agreement specifies limited circumstances under which the merger agreement may be terminated by the parties as well as termination fees to be paid in such event. Either Merck or Schering-Plough may terminate the merger agreement if the merger has not been consummated by a drop-dead date of December 8, 2009, provided that the drop-dead date will be extended to March 8, 2010, if, on December 8, 2009: the closing conditions dealing with antitrust approvals, laws or injunctions prohibiting the merger and regulatory divestitures have not been satisfied but all other conditions to the merger have been satisfied; or the proceeds of the financing are not available to Merck in full but all conditions to the merger have been satisfied or are then capable of being satisfied.

Either company may also terminate the merger agreement under other circumstances described in this joint proxy statement/prospectus and in the merger agreement. For additional information on Merck s and Schering-Plough s rights to terminate the merger agreement, see The Merger Agreement Termination beginning on page 114.

Termination Fees; Reimbursement of Expenses

In certain circumstances as described in this joint proxy statement/prospectus and in the merger agreement, Schering-Plough or Merck, as the case may be, may be required to pay to the other company a termination fee of $1.25 billion and/or reimburse the other company s out of pocket expenses, up to a maximum of $250 million (in the case of Merck s expenses) and $150 million (in the case of Schering-Plough s expenses).

In addition, Merck will pay Schering-Plough a termination fee of $2.5 billion and reimburse Schering-Plough s expenses up to a maximum of $150 million if either Merck or Schering-Plough terminates the merger agreement because the drop-dead date, as it may be extended, has occurred and the merger has not been consummated because the proceeds of the financing are not available in full to Merck and all of Merck s other closing conditions have been fulfilled (other than those conditions that are to be satisfied at the closing).

For additional information on termination fees and reimbursement of expenses, see The Merger Agreement Termination Fees and Expenses beginning on page 116.

Financing

Merck estimates that the total amount of funds necessary to complete the proposed merger is approximately $18.4 billion. Merck expects to use available cash and the proceeds of the credit facilities described below, or, if available, proceeds from alternative financing sources, to complete the merger.

On April 20, 2009, Merck obtained the requisite consents for the amendment of its existing $1.5 billion five-year revolving credit facility to allow it to remain in place after consummation of the merger. In addition, Merck anticipates that Schering-Plough s existing $2.0 billion revolving credit facility will remain in place following the consummation of the merger.

On May 6, 2009, Merck entered into:

- a $3 billion 364-day bridge loan agreement with respect to the bridge loan facility;

a $3 billion 364-day asset sale facility agreement with respect to the asset sale facility; and

a $1 billion 364-day incremental loan agreement with respect to the incremental facility.

In lieu of drawing on one or more of these facilities at the consummation of the merger, we may, depending on market conditions, issue unsecured notes or bonds or commercial paper of Merck or Schering-Plough.

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Under each of the new credit facilities, JPMorgan Chase Bank, N.A. is the administrative agent, J.P. Morgan is the sole bookrunner and the sole lead arranger and Banco Santander, S.A. New York Branch, Bank of America Securities LLC, BNP Paribas Securities Corp., Citigroup Global Markets Inc., Credit Suisse (USA) LLC, HSBC Bank USA, National Association, The Royal Bank of Scotland plc, and UBS Securities LLC are the co-arrangers. In addition to J.P. Morgan and the eight co-arrangers, twenty other lenders are party to the bridge loan facility and the asset sale facility and fourteen other lenders are party to the incremental facility. The maximum aggregate exposure for any single lender under the new credit facilities is $875.0 million.

The funding of the new credit facilities and the effectiveness of the amendment to Merck s existing revolving credit facility are subject to various conditions precedent, including: (i) the consummation of the merger; (ii) the absence, since December 31, 2008, of any material adverse change (as defined in the new credit facilities) with respect to Merck and Schering-Plough taken as a whole; (iii) the execution of definitive documentation with respect to the new credit facilities and, if applicable, the amendment to Merck s existing revolving credit facility (which condition has been satisfied); (iv) certification by the chief financial officer of Merck that the ratio of total debt to capitalization of the combined company on a pro forma basis as of the last fiscal quarter ended at least 45 days before closing does not exceed 60%; and (v) other customary closing conditions, each as more fully described in the new credit facilities.

Merck has agreed to use its reasonable best efforts to take, or to cause to be taken, all actions and to do, or cause to be done, all things necessary, proper or advisable to consummate and obtain the financing on the terms described in the commitment letter with J.P. Morgan. If all conditions to the commitment letter or the definitive agreements with respect to the new credit facilities have been satisfied, Merck will use its reasonable best efforts to cause the lenders to fund on the closing date the financing required to consummate the merger (including by taking enforcement action and seeking specific performance). Merck has agreed to give Schering-Plough prompt notice of any material breach by any party to the commitment letter or the definitive agreements with respect to the new credit facilities and any condition that is not likely to be satisfied or termination of the commitment letter or the definitive agreements with respect to the new credit facilities (in no event will such notice be given later than one business day after the occurrence of such event). Merck has also agreed to keep Schering-Plough informed on a reasonably current basis of the status of its efforts to arrange the financing. Schering-Plough has agreed to cooperate with Merck in connection with obtaining the financing.

For additional information relating to the financing of the transaction, see The Transaction Financing of the Transaction beginning on page 96.

Regulatory Approvals

Merck and Schering-Plough have committed to use their reasonable best efforts to take whatever actions, subject to certain limitations, are required to obtain all necessary regulatory approvals for completion of the merger. These approvals include approval under, or notices pursuant to, the HSR Act, the Council Regulation No. 139/2004 of the European Community, which is referred to in this joint proxy statement/prospectus as the EC Merger Regulation, and the applicable antitrust regulatory laws in Canada, China, Mexico and Switzerland. In using reasonable best efforts to obtain the required regulatory approvals, Merck may be obligated to sell, divest or dispose of certain of its assets or businesses (which may include the sale, divestiture or disposition of assets or businesses of New Merck at or following the effective time of the merger) or take other action to avoid the commencement of any action to prohibit any of the transactions contemplated by the merger agreement, or if already commenced, to avoid the entry of, or to effect the dissolution of, any injunction, temporary restraining order or other order in any action so as to enable the closing of the merger to occur. However, Merck will not be required to propose, negotiate, commit to or effect any sale, divestiture or disposition of assets or business of Merck or its subsidiaries or Schering-Plough or its subsidiaries or offer to take any action where the sale, divestiture or disposition, individually or in the aggregate, would be of assets or a business of Merck or its subsidiaries or Schering-Plough or its subsidiaries that would result in the one year

loss of net sales revenues (measured by net 2008 sales revenue) in excess of $1 billion (excluding any loss of net sales revenues related to the license, sale, divestiture or other disposition

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or holding separate of Schering-Plough s animal health segment and Merck s direct or indirect interest in Merial Ltd.).

For additional information relating to regulatory approvals, see The Transaction Regulatory Approvals beginning on page 98.

Tax Consequences to Merck Shareholders

The Merck merger is intended to qualify as a reorganization within the meaning of Section 368(a) of the Internal Revenue Code of 1986, as amended, which we refer to as the Code, for U.S. federal income tax purposes, and it is a condition to Merck s obligation to complete the merger that Merck receive a written opinion from its counsel to that effect. As a result of the Merck merger qualifying as a reorganization within the meaning of Section 368(a) of the Code, a U.S. holder (as defined in the section titled Certain Material U.S. Federal Income Tax Consequences) of shares of Merck common stock generally will not recognize gain or loss for U.S. federal income tax purposes upon receipt of shares of New Merck common stock solely in exchange for shares of Merck common stock in the Merck merger.

All holders of shares of Merck common stock should read Certain Material U.S. Federal Income Tax Consequences The Merck Merger beginning on page 121 for a more complete discussion of the U.S. federal income tax consequences of the Merck merger. In addition, all holders of shares of Merck common stock are urged to consult with their tax advisors regarding the tax consequences of the Merck merger to them, including the effects of U.S. federal, state and local, non-U.S. and other tax laws.

Tax Consequences to Schering-Plough Shareholders

For U.S. federal income tax purposes, while not free from doubt, it is expected that the exchange of shares of Schering-Plough common stock for shares of New Merck common stock and cash in the Schering-Plough merger will be treated as a redemption in which the exchanging holder retained a fraction of each share of Schering-Plough common stock exchanged (*i.e.,* that the receipt of a fraction of a share of New Merck common stock in the Schering-Plough merger is the equivalent of retaining a fraction of each share of Schering-Plough common stock exchanged in the Schering-Plough merger) and exchanged the remaining fraction of such share of Schering-Plough common stock for cash, and will be subject to Section 302 of the Code. As a result, the cash that a U.S. holder receives generally will be treated for U.S. federal income tax purposes either as consideration received in respect of a partial sale or exchange of such U.S. holder s shares of Schering-Plough common stock or as a distribution in respect of such U.S. holder s shares of Schering-Plough common stock. The cash that a non-U.S. holder (as defined in the section titled Certain Material U.S. Federal Income Tax Consequences) of shares of Schering-Plough common stock receives generally will be subject to withholding of U.S. federal income tax at a rate of 30%, subject to reduction or exemption if specific requirements are met.

All holders of shares of Schering-Plough common stock should read Certain Material U.S. Federal Income Tax Consequences The Schering-Plough Merger beginning on page 122 for a more complete discussion of the U.S. federal income tax consequences of the Schering-Plough merger. In addition, all holders of shares of Schering-Plough common stock are urged to consult with their tax advisors regarding the tax consequences of the Schering-Plough merger to them, including the effects of U.S. federal, state and local, non-U.S. and other tax laws.

Listing of New Merck Common Stock

In connection with the completion of the merger, it is anticipated that the shares of New Merck will be listed on the New York Stock Exchange and traded under the symbol MRK.

For additional information relating to the listing of New Merck common stock, see The Transaction Listing of New Merck Common Stock beginning on page 93.

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Dividends after the Merger

Following completion of the merger, it is anticipated that New Merck will continue the dividend policies of Merck, currently a quarterly cash dividend of $0.38 per share. The payment of dividends of New Merck will be subject to declaration by its board of directors and will depend upon on a variety of factors, including business and financial considerations.

For additional information on dividends after the merger, see The Transaction Combined Company Dividend beginning on page 95.

Interests of Merck Directors and Management in the Transaction

Under the terms of the merger agreement, all of the directors of Merck immediately before the merger will be directors of New Merck after the merger, and, unless otherwise indicated by Merck to Schering-Plough prior to the merger, the officers of Merck immediately before the merger will, after the merger, be officers of New Merck holding the same offices at New Merck as they held with Merck immediately before the merger.

For additional information on interests of Merck directors and management in the transaction, see The Transaction Interests of Merck Directors and Management in the Transaction beginning on page 89.

Interests of Schering-Plough Directors and Management in the Transaction

Aside from their interests as Schering-Plough shareholders, Schering-Plough s executive officers and directors have financial interests in the merger. The members of Schering-Plough s board of directors were aware of and considered these interests, among other matters, in evaluating and negotiating the merger agreement and the merger, and in recommending to the shareholders that the merger agreement be approved.

Please see The Transaction Interests of Schering-Plough s Directors and Management in the Transaction beginning on page 90 for additional information about these financial interests.

No Dissenters Rights

Under New Jersey law, neither the holders of Merck common stock nor the holders of Schering-Plough common stock are entitled to any dissenters rights or rights of appraisal in connection with the merger or, in the case of Schering-Plough shareholders, the share issuance.

For additional information on dissenters rights, see The Transaction No Dissenters Rights of Appraisal beginning on page 93.

Accounting Treatment

The transactions contemplated by the merger agreement will be accounted for under the acquisition method of accounting in conformity with FASB Statement No. 141(R) Business Combinations of accounting principles generally accepted in the U.S. New Merck will account for the transaction by using Merck historical information and accounting policies and applying fair value estimates to Schering-Plough as of the date of the transaction.

For additional information on accounting treatment of the transaction, see The Transaction Accounting Treatment beginning on page 94.

ShareGift USA s Charitable Donation Program

Schering-Plough has made arrangements to enable Schering-Plough shareholders to donate some or all of the merger consideration to be received by them upon consummation of the merger to ShareGift USA.

ShareGift USA is a nonprofit charity recognized as exempt from tax by the IRS under Section 501(c)(3) of the Code that will distribute the merger consideration donated by Schering-Plough shareholders (or the proceeds from the sale of any donated merger consideration) to a variety of recognized U.S. charities.

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ShareGift USA will aggregate all donations from Schering-Plough shareholders and distribute them to charitable institutions.

If you are a Schering-Plough shareholder and a U.S. taxable investor, you may be eligible for a tax deduction should you choose to participate in ShareGift USA s program. Please consult your tax advisor accordingly.

For additional information on the ShareGift USA charitable donation program, see ShareGift USA s Charitable Donation Program beginning on page 119.

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Selected Historical Financial Data

Merck and Schering-Plough are providing the following financial information to aid you in your analysis of the financial aspects of the transaction. The selected historical consolidated financial data of Merck and Schering-Plough for the years ending December 31, 2008, 2007, 2006, 2005 and 2004 have been derived from Merck s and Schering-Plough s respective historical consolidated financial statements. Each company s historical audited consolidated financial data for the years ending December 31, 2008, 2007 and 2006 are incorporated by reference into this joint proxy statement/prospectus. The following selected historical consolidated financial data for Merck and Schering-Plough as of and for the three months ending March 31, 2009 and 2008 has been derived from Merck s and Schering-Plough s unaudited interim consolidated financial statements contained in their respective Quarterly Reports on Form 10-Q for the quarter ending March 31, 2009, which are incorporated by reference into this joint proxy statement/prospectus. In the opinion of Merck s and Schering-Plough s management, respectively, the unaudited interim consolidated financial statements of Merck and Schering-Plough, respectively, have been prepared on the same basis as their respective audited consolidated financial statements and include all adjustments, consisting of normal recurring adjustments, necessary for a fair presentation of the financial position and results of operations at these dates and for these periods. Results of interim periods are not necessarily indicative of the results expected for a full year or for future periods. This information is only a summary, and you should read it in conjunction with the historical consolidated financial statements of Merck and Schering-Plough and the related notes contained in the annual reports and the other information that each of Merck and Schering-Plough has previously filed with the Securities and Exchange Commission and which is incorporated in this joint proxy statement/prospectus by reference. See Where You Can Find More Information beginning on page 157.

Selected Historical Consolidated Financial Data of Merck(1)

	As of and for the Three Months Ending March 31,		As of and for the Years Ending December 31,				
	2009	2008	2008(2)	2007(3)	2006(4)	2005(5)	2004(6)
	(Unaudited)		(In millions, except per share figures)				
Results for Year:							
Sales	$ 5,385.2	$ 5,822.1	$ 23,850.3	$ 24,197.7	$ 22,636.0	$ 22,011.9	$ 22,972.8
Equity (income) from affiliates	(585.8)	(652.1)	(2,560.6)	(2,976.5)	(2,294.4)	(1,717.1)	(1,008.2)
Net income attributable to Merck & Co., Inc.	1,425.0	3,302.6	7,808.4	3,275.4	4,433.8	4,631.3	5,830.1
Basic earnings per common share attributable to Merck & Co., Inc. common shareholders	$ 0.67	$ 1.52	$ 3.65	$ 1.51	$ 2.03	$ 2.10	$ 2.63
Diluted earnings per common share	$ 0.67	$ 1.52	$ 3.63	$ 1.49	$ 2.02	$ 2.10	$ 2.62

attributable to Merck & Co., Inc. common shareholders							
Cash dividends paid per common share	$ 0.38	$ 0.38	$ 1.52	$ 1.52	$ 1.52	$ 1.52	$ 1.49
Year-End Position:							
Total assets	46,543.1	47,041.1	47,195.7	48,350.7	44,569.8	44,845.8	42,572.8
Long-term debt	3,939.1	3,965.0	3,943.3	3,915.8	5,551.0	5,125.6	4,691.5

(1) Merck s financial statements have been restated to reflect the retrospective application of Financial Accounting Standards Board (FASB) Statement No. 160, *Noncontrolling Interests in Consolidated Financial Statements an amendment of ARB No. 51* and *FASB Staff Position EITF 03-6-1, Determining Whether Instruments Granted in Share-Based Payment Transactions Are Participating Securities*, which Merck adopted on January 1, 2009.

(2) Amounts for 2008 include a gain on distribution from AstraZeneca LP, a gain related to the sale of Merck s remaining worldwide rights to *Aggrastat*, the favorable impact of certain tax items, the impact of

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restructuring actions, additional legal defense costs and an expense for a contribution to the Merck Company Foundation.

(3) Amounts for 2007 include the impact of Merck s U.S. *Vioxx* Settlement Agreement charge, restructuring actions, a civil governmental investigations charge, an insurance arbitration settlement gain, acquired research expense resulting from an acquisition, additional *Vioxx* legal defense costs, gains on sales of assets and product divestitures, as well as a net gain on the settlements of certain patent disputes.

(4) Amounts for 2006 include the impact of restructuring actions, acquired research expenses resulting from acquisitions, additional *Vioxx* legal defense costs and the adoption of a new accounting standard requiring the expensing of stock options.

(5) Amounts for 2005 include the impact of the net tax charge primarily associated with the American Jobs Creation Act repatriation, restructuring actions and additional *Vioxx* legal defense costs.

(6) Amounts for 2004 include the impact of the withdrawal of *Vioxx*, *Vioxx* legal defense costs and restructuring actions.

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Selected Historical Consolidated Financial Data of Schering-Plough

	As of and for the Three Months Ending March 31,		As of and for the Years Ending December 31,				
	2009	2008	2008(1)	2007(1)	2006	2005	2004
	(In millions, except per share figures)						
Operating Results							
Net sales	$ 4,393	$ 4,657	$ 18,502	$ 12,690	$ 10,594	$ 9,508	$ 8,272
Equity (income)	(400)	(517)	(1,870)	(2,049)	(1,459)	(873)	(347)
Net income/(loss)(2)	805	314	1,903	(1,473)	1,143	269	(947)
Basic earnings/(loss) per common share(2)	0.47	0.17	1.08	(1.04)	0.71	0.12	(0.67)
Diluted earnings/(loss) per common share(2)	0.46	0.17	1.07	(1.04)	0.71	0.12	(0.67)
Financial Position							
Total assets(3)	27,718	30,120	28,117	29,156	16,071	15,469	15,911
Long-term debt(3)	7,685	9,349	7,931	9,019	2,414	2,399	2,392
Other Data							
Cash dividends per common share	0.065	0.065	0.26	0.25	0.22	0.22	0.22
Cash dividends paid on preferred shares	38	38	150	99	86	86	30

(1) Operating results and other financial information reflect the operations of the Organon BioSciences (OBS) business subsequent to Schering-Plough s acquisition of OBS on November 19, 2007, including the impacts of purchase accounting in accordance with SFAS No. 141, Business Combinations.

(2) 2008, 2007, 2006, 2005, and 2004 include special and acquisition-related charges and manufacturing streamlining costs of $329 million, $84 million, $248 million, $294 million, and $153 million, respectively. See Note 3, Special and Acquisition-Related Charges and Manufacturing Streamlining in the audited financial statements of Schering-Plough included in its Annual Report on Form 10-K for the year ended December 31, 2008 for additional information on these charges that were incurred in 2008, 2007 and 2006. The special charges incurred in 2005 of $294 million included litigation charges of $250 million, employee termination costs of $28 million and asset impairment and other charges of $16 million. The special charges incurred in 2004 included $119 million of employee termination costs and $34 million for asset impairment and related charges.

(3) The increase in total assets and long-term debt in 2007, as compared to 2006, primarily reflects the purchase of OBS (total assets) and the financing of the OBS acquisition (long-term debt).

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Comparative Per Share Market Price and Dividend Information

Shares of Merck common stock and Schering-Plough common stock are listed on the NYSE. The following table presents the last reported closing sale price per share of Merck common stock and Schering-Plough common stock, as reported on the NYSE Composite Transaction reporting system on March 6, 2009, the last full trading day prior to the public announcement of the merger agreement, and on June 5, 2009, the last trading day for which this information could be calculated prior to the filing of this joint proxy statement/prospectus.

	Merck Common Stock	Schering-Plough Common Stock	Implied Value of Merger Consideration per Share of Schering-Plough Common Stock(1)
March 6, 2009	$ 22.74	$ 17.63	$ 23.61
June 5, 2009	26.07	23.80	25.53

(1) The equivalent implied per share data for Schering-Plough common stock has been determined by multiplying the closing market price of a share of Merck common stock on each of the dates by the exchange ratio of 0.5767 per share and adding the per share cash consideration of $10.50 being paid to Schering-Plough shareholders. Schering-Plough shareholders will not receive the merger consideration until the merger is completed, which may be a substantial period of time after the Schering-Plough shareholder meeting. There can be no assurance as to the trading prices of the Merck common stock at the time of the closing of the merger. Moreover, because of the need to obtain regulatory approvals, the closing of the merger may not occur, if at all, until months after the vote of shareholders on the transaction.

Merck currently pays quarterly dividends of $0.38 per share of Merck common stock. Schering-Plough currently pays quarterly dividends of $0.065 per share of Schering-Plough common stock. New Merck expects to continue Merck s dividend practice according to which it would pay quarterly dividends of $0.38 per share of New Merck common stock out of funds legally available for the payment of dividends. As is the case with Merck, the payment of dividends by New Merck following completion of the merger will be subject to approval and declaration by its board of directors.

Selected Unaudited Pro Forma Condensed Combined Financial Information

The following selected unaudited pro forma condensed combined financial information has been derived from the unaudited pro forma condensed combined financial information presented in this joint proxy statement/prospectus beginning on page 130.

	As of and for the Three Months Ending	For the Year Ending

	March 31, 2009	December 31, 2008
	(In millions, except per share figures)	
Pro Forma Statement of Income Data		
Sales	$ 10,685.6	$ 46,749.6
Equity income from affiliates	$ (294.9)	$ (1,024.3)
Net income available to common shareholders	$ 1,506.0	$ 6,565.1
Basic earnings per common share	$ 0.48	$ 2.09
Earnings per common share assuming dilution	$ 0.48	$ 2.09
Cash dividends per common share	$ 0.38	$ 1.52
Pro Forma Balance Sheet Data		
Total assets	$ 116,725.0	
Long-term debt	$ 16,878.1	

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Comparative Per Share Data

The following table presents, for the three months ended March 31, 2009 and the year ended December 31, 2008, selected historical per share data of Merck and Schering-Plough as well as similar information, reflecting the combination of Merck and Schering-Plough into New Merck, as if the transaction had been effective for the period presented, which we refer to as pro forma combined information. The hypothetical Schering-Plough equivalent per share data presented below is calculated by multiplying the pro forma combined amounts for New Merck by the exchange ratio of 0.5767 of a share of New Merck for each share of Schering-Plough.

Each share of Schering-Plough common stock will also be entitled to receive $10.50 in cash consideration. The hypothetical Schering-Plough equivalent per share data does not take into account the cash portion of the merger consideration.

The pro forma combined information is provided for informational purposes only and is not necessarily an indication of the results that would have been achieved had the transaction been completed as of the dates indicated or that may be achieved in the future. The December 31, 2008 selected comparative per share information of Merck and Schering-Plough set forth below was derived from audited financial statements. The March 31, 2009 selected comparative share information of Merck and Schering-Plough set forth below was derived from unaudited interim financial statements. In the opinion of Merck s and Schering-Plough s management, respectively, the unaudited interim financial statements have been prepared on the same basis as their respective audited financial statements. You should read the information in this section along with Merck s and Schering-Plough s historical consolidated financial statements and accompanying notes for the period referred to above included in the documents described under Where You Can Find More Information beginning on page 157. You should also read the unaudited pro forma condensed combined financial information and accompanying discussion and notes included in this joint proxy statement/prospectus beginning on page 130.

	For the Three Months Ended March 31, 2009	For the Year Ended December 31, 2008
Basic Earnings Per Share		
Merck historical	$ 0.67	$ 3.65
Schering-Plough historical	$ 0.47	$ 1.08
Pro forma combined	$ 0.48	$ 2.09
Schering-Plough equivalent	$ 0.28	$ 1.21
Diluted Earnings Per Share		
Merck historical	$ 0.67	$ 3.63
Schering-Plough historical	$ 0.46	$ 1.07
Pro forma combined	$ 0.48	$ 2.09
Schering-Plough equivalent	$ 0.28	$ 1.21
Dividends Per Share		
Merck historical	$ 0.38	$ 1.52
Schering-Plough historical	$ 0.065	$ 0.26
Pro forma combined	$ 0.38	$ 1.52

Schering-Plough equivalent	$	0.22	$	0.88
Book Value Per Share at Period End				
Merck historical	$	10.43		
Schering-Plough historical	$	6.30		
Pro forma combined	$	17.93		
Schering-Plough equivalent	$	10.34		

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RISK FACTORS

Risks Relating to the Transaction

In addition to the other information included and incorporated by reference in this joint proxy statement/prospectus, Merck and Schering-Plough shareholders should carefully consider the matters described below to determine whether to approve the merger agreement.

Because the market price of Merck common shares will fluctuate, Schering-Plough shareholders cannot be certain of the value of the merger consideration that they will receive in the transaction.

In the Schering-Plough merger, each outstanding share of Schering-Plough common stock will be converted into the right to receive 0.5767 of a share of New Merck common stock and $10.50 in cash. The 0.5767 exchange ratio is fixed and will not be adjusted for changes in the market price of either Merck common stock or Schering-Plough common stock. The market value of the New Merck common stock that Schering-Plough shareholders will be entitled to receive in the Schering-Plough merger will depend on the market value of Merck common stock immediately before that merger is completed and could vary significantly from the market value on the date of the announcement of the merger agreement, the date that this joint proxy statement/prospectus was mailed to shareholders of Merck and Schering-Plough or the date of Merck s and Schering-Plough s special meetings of their shareholders. The merger agreement does not provide for any price-based termination right. For example, Merck s closing common stock price on March 6, 2009, the last trading day prior to the execution of the merger agreement, was $22.74 and, therefore, if the transaction had closed on that date, the value of the merger consideration that Schering-Plough shareholders would have received for each share of common stock, including the $10.50 in cash consideration, would have been $23.61. On June 5, 2009, Merck s closing common stock price was $26.07, and, therefore, if the transactions had closed on that date, the value of the merger consideration that Schering-Plough shareholders would have received for each share of common stock, including the $10.50 in cash consideration, would have been $25.53. Moreover, the market value of the New Merck common stock will likely fluctuate after the completion of the merger. See Comparative Per Share Market Price and Dividend Information beginning on page 15.

Fluctuations in the share price of Merck, or New Merck following the merger, could result from changes in the business, operations or prospects of Merck or Schering-Plough prior to the merger or New Merck following the merger, regulatory considerations, general market and economic conditions and other factors both within and beyond the control of Merck or Schering-Plough. The merger may be completed a considerable period after the date of the Merck and Schering-Plough special meetings of their shareholders. As such, at the time of the special meetings, Merck and Schering-Plough shareholders will not know the value of the merger consideration that Schering-Plough shareholders will receive in the Schering-Plough merger for each share of Schering-Plough common stock.

Merck s inability to obtain the financing necessary to complete the transaction could delay or prevent the completion of the merger.

Under the terms of the merger agreement, even if the conditions to closing are satisfied, if the proceeds of the financing necessary to complete the transaction are not available in full, the closing may be delayed until the date, if any, on which the proceeds of the financing are available in full. Moreover, the merger agreement may be terminated if the required financing is not available to Merck by the drop-dead date under the merger agreement, which may be extended to as late as March 8, 2010. In addition, Merck is required to pay Schering-Plough a termination fee of $2.5 billion and reimburse Schering-Plough s expenses up to a maximum of $150 million if the merger agreement is terminated because the merger has not occurred by the drop-dead date by reason of the fact that the proceeds of the

financing are not available to Merck and all of Merck s other closing conditions have been fulfilled.

On May 6, 2009, Merck entered into (i) a $3.0 billion 364-day bridge loan agreement with respect to the bridge loan facility, (ii) a $3.0 billion 364-day asset sale facility agreement with respect to the asset sale

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facility and (iii) a $1.0 billion 364-day incremental loan agreement with respect to the incremental facility. Under each of the new credit facilities, JPMorgan Chase Bank, N.A. is the administrative agent, J.P. Morgan is the sole bookrunner and the sole lead arranger and Banco Santander, S.A. New York Branch, Bank of America Securities LLC, BNP Paribas Securities Corp., Citigroup Global Markets Inc., Credit Suisse (USA) LLC, HSBC Bank USA, National Association, The Royal Bank of Scotland plc, and UBS Securities LLC are the co-arrangers. In addition to J.P. Morgan and the eight co-arrangers, twenty other lenders are party to the bridge loan facility and the asset sale facility and fourteen other lenders are party to the incremental facility. The maximum aggregate exposure for any single lender under the new credit facilities is $875.0 million. On April 20, 2009, Merck amended its existing $1.5 billion five-year revolving credit facility to allow it to remain in place after the merger. In addition, Schering-Plough s existing $2.0 billion revolving credit facility will remain in place following consummation of the merger. Although Merck entered into credit agreements with respect to the new credit facilities and amended its existing $1.5 billion five-year revolving credit facility, the funding under the new credit facilities and the effectiveness of the amendment to the existing $1.5 billion five-year revolving credit facility are subject to various customary conditions, including the absence of any material adverse change with respect to New Merck, satisfaction of a pro forma maximum debt to capitalization ratio, and other closing conditions. Under the terms of the credit agreements for the new credit facilities, neither J.P. Morgan nor the co-arrangers is responsible for the failure of any other member of the syndicate to provide its committed portion of the financing. Although Merck expects to obtain in a timely manner the financing necessary to complete the pending merger, if Merck is unable to timely obtain the financing because one of the conditions to the financing fails to be satisfied or one or more of the members of the syndicate defaults on its obligations to provide its committed portion of the financing (and the commitments of any defaulting syndicate member cannot be replaced on a timely basis), the closing of the merger could be significantly delayed or may not occur at all.

Legal proceedings in connection with the merger, the outcomes of which are uncertain, could delay or prevent the completion of the merger.

Since the announcement of the transaction, several putative class action lawsuits have been filed on behalf of shareholders of Schering-Plough (alleging, among other things, that the merger consideration is too low) and Merck (alleging, among other things, that the consideration is too high). The complaints seek, among other things, class action status, an order preliminarily and permanently enjoining the proposed transaction, rescission of the transaction if it is consummated, damages, and attorneys fees and expenses. Such legal proceedings could delay or prevent the transaction from becoming effective within the agreed upon timeframe.

The transaction is subject to the receipt of certain required clearances or approvals from governmental entities that could delay the completion of the merger or impose conditions that could have a material adverse effect on the combined company.

Completion of the merger is conditioned upon the receipt of certain governmental clearances or approvals, including, without limitation, the expiration or termination of the applicable waiting period under the HSR Act, the issuance by the European Commission of a decision under the EC Merger Regulation declaring the merger compatible with the common market, and the clearance or approval of the merger by the antitrust regulators in Canada, China, Mexico and Switzerland. Although Merck and Schering-Plough have agreed in the merger agreement to use reasonable best efforts to obtain the requisite governmental approvals, there can be no assurance that these clearances and approvals will be obtained. In addition, the governmental entities from which these clearances and approvals are required may impose conditions on the completion of the merger or require changes to the terms of the merger. Under the terms of the merger agreement, in using reasonable best efforts to obtain required regulatory approvals, we may be obligated to make divestitures of assets of Merck or Schering-Plough so long as such divestitures, individually or in the aggregate, would not result in the one-year loss of net sales revenues (measured by net 2008 sales revenue) in excess of $1 billion (excluding any loss of net sales revenues related to the license, sale, divestiture or other disposition or holding

separate of Schering-Plough s animal health segment and Merck s direct or indirect interest in Merial Ltd.). If Merck or Schering-Plough become subject to any material conditions in order to obtain any clearances or

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approvals required to complete the merger, the business and results of operations of the combined company may be adversely affected.

Any delay in completing the merger beyond the fourth quarter of 2009 may reduce or eliminate the benefits expected.

In addition to receipt of financing and required antitrust clearances and approvals, the merger is subject to a number of other conditions beyond the parties control that may prevent, delay or otherwise materially adversely affect the completion of the transaction. Merck and Schering-Plough cannot predict with certainty whether and when these other conditions will be satisfied. Any delay in completing the merger beyond the fourth quarter of 2009 could cause the combined company not to realize, or delay the realization of, some or all of the cost savings and other benefits we expect to achieve from the transaction.

The combined company may fail to realize the anticipated cost savings, revenue enhancements and other benefits expected from the merger, which could adversely affect the value of New Merck common stock after the merger.

The success of the merger will depend, in part, on New Merck s ability to successfully combine the businesses of Merck and Schering-Plough and realize the anticipated benefits and cost savings from the combination of the two companies. If the combined company is not able to achieve these objectives within the anticipated time frame, or at all, the anticipated benefits and cost savings of the merger may not be realized fully or at all or may take longer to realize than expected and the value of New Merck s common stock may be adversely affected.

Merck and Schering-Plough have operated and, until the completion of the merger, will continue to operate, independently. It is possible that the integration process could result in the loss of key employees, result in the disruption of each company s ongoing businesses or identify inconsistencies in standards, controls, procedures and policies that adversely affect our ability to maintain relationships with customers, suppliers, distributors, creditors, lessors, clinical trial investigators or managers or to achieve the anticipated benefits of the merger.

Specifically, issues that must be addressed in integrating the operations of Merck and Schering-Plough in order to realize the anticipated benefits of the merger include, among other things:

- integrating the research and development, manufacturing, distribution, marketing and promotion activities and information technology systems of Merck and Schering-Plough;
- conforming standards, controls, procedures and accounting and other policies, business cultures and compensation structures between the companies;
- consolidating corporate and administrative infrastructures;
- consolidating sales and marketing operations;
- retaining existing customers and attracting new customers;
- identifying and eliminating redundant and underperforming operations and assets;
- coordinating geographically dispersed organizations;
- managing tax costs or inefficiencies associated with integrating the operations of the combined company; and

making any necessary modifications to operating control standards to comply with the Sarbanes-Oxley Act of 2002 and the rules and regulations promulgated thereunder.

Integration efforts between the two companies will also divert management attention and resources. An inability to realize the full extent of, or any of, the anticipated benefits of the merger, as well as any delays encountered in the integration process, could have an adverse effect on New Merck s business and results of operations, which may affect the value of the shares of the New Merck common stock.

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In addition, the actual integration may result in additional and unforeseen expenses, and the anticipated benefits of the integration plan may not be realized. Actual cost and sales synergies, if achieved at all, may be lower than we expect and may take longer to achieve than anticipated. If the combined company is not able to adequately address these challenges, it may be unable to successfully integrate the operations of Merck and Schering-Plough, or to realize the anticipated benefits of the integration of the two companies.

Delays encountered in the integration process could have a material adverse effect on the revenues, expenses, operating results and financial condition of New Merck. Although Merck and Schering-Plough expect significant benefits, such as increased cost savings, to result from the merger, there can be no assurance that New Merck will realize any of these anticipated benefits.

Merck, Schering-Plough and the combined company will incur significant transaction and merger-related transition costs in connection with the merger.

Merck and Schering-Plough expect that they and the combined company will incur significant costs in connection with consummating the merger and integrating the operations of the two companies, with a significant portion of such costs being incurred through the first year after completion of the merger. Merck continues to assess the magnitude of these costs, and additional unanticipated costs may be incurred in the integration of the businesses of Merck and Schering-Plough. Although Merck and Schering-Plough believe that the elimination of duplicative costs, as well as the realization of other efficiencies related to the integration of the businesses, will offset incremental transaction and merger-related costs over time, no assurance can be given that this net benefit will be achieved in the near term, or at all.

An arbitration proceeding commenced by Centocor against Schering-Plough may result in the combined company s loss of the rights to market* Remicade *and golimumab.

A subsidiary of Schering-Plough is a party to a Distribution Agreement (the Distribution Agreement) with Centocor, a wholly owned subsidiary of Johnson & Johnson, pursuant to which the Schering-Plough subsidiary has rights to distribute and commercialize the rheumatoid arthritis treatment *Remicade* and golimumab, a next-generation treatment, in certain territories. By its terms, the Distribution Agreement may be terminated by a party if the other party is subject to a Change of Control as defined in the Distribution Agreement.

Centocor has initiated an arbitration proceeding to resolve the parties dispute over whether, as a result of the proposed merger between Schering-Plough and Merck, Schering-Plough and its subsidiary would undergo a change of control that would permit Centocor to terminate the Distribution Agreement. Please see Legal Proceedings Related to the Transaction beginning on page 93.

Schering-Plough is vigorously contesting, and the combined company will vigorously contest, Centocor s attempt to terminate the Distribution Agreement as a result of the proposed merger. However, if the arbitrator were to conclude that Centocor is permitted to terminate the Distribution Agreement as a result of the transaction and Centocor in fact terminates the Distribution Agreement following the merger, the combined company would not be able to distribute *Remicade*, which generated sales for Schering-Plough of approximately $2.1 billion in 2008, and would not have the right to commercialize and distribute golimumab in the future. In addition, due to the uncertainty surrounding the outcome of the arbitration, the parties may choose to settle the dispute under mutually agreeable terms but any agreement reached with Centocor to resolve the dispute under the Distribution Agreement may result in the terms of the Distribution Agreement being modified in a manner that may reduce the benefits of the Distribution Agreement to the combined company.

Merck and Schering-Plough will be subject to business uncertainties and contractual restrictions while the merger is pending, which could adversely affect Merck s and Schering-Plough s respective businesses.

Uncertainty about the effect of the merger on customers, suppliers and others that do business with Merck and Schering-Plough may have an adverse effect on Merck and Schering-Plough and, consequently, on the combined company. Although Merck and Schering-Plough intend to take steps to reduce any adverse effects, these uncertainties could cause customers, suppliers and others that do business with Merck or Schering-Plough

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to terminate or change existing business relationships with Merck, Schering-Plough and, after the completion of the merger, the combined company. In addition, the merger agreement restricts Schering-Plough and, to a lesser extent, Merck, without the other party s consent, from making certain acquisitions and taking other specified actions until completion of the merger or the merger agreement is terminated. These restrictions may prevent Merck or Schering-Plough from pursuing otherwise attractive business opportunities and making other changes to their businesses that may arise before the merger is completed or the merger agreement is terminated.

Merck, Schering-Plough and, subsequently, the combined company must continue to retain, motivate and recruit executives and other key employees, which may be difficult in light of uncertainty regarding the merger, and failure to do so could negatively affect the combined company.

For the merger to be successful, during the period before the merger is completed, both Merck and Schering-Plough must continue to retain, motivate and recruit executives and other key employees. Moreover, the combined company must be successful at retaining and motivating key employees following the completion of the merger. Experienced employees in the pharmaceutical industry are in high demand and competition for their talents can be intense. Employees of both Merck and Schering-Plough may experience uncertainty about their future role with the combined company until, or even after, strategies with regard to the combined company are announced or executed. These potential distractions of the merger may adversely affect the ability of Merck, Schering-Plough or, following completion of the merger, the combined company, to retain, motivate and recruit executives and other key employees and keep them focused on applicable strategies and goals. A failure by Merck, Schering-Plough or, following the completion of the merger, the combined company, to attract, retain and motivate executives and other key employees during the period prior to or after the completion of the merger could have a negative impact on the business of Merck, Schering-Plough or the combined company.

Because directors and executive officers of Schering-Plough have interests in seeing the merger completed that are different than those of Schering-Plough s other shareholders, directors of Schering-Plough have potential conflicts of interest in recommending that Schering-Plough shareholders vote to approve the merger agreement.

Schering-Plough s directors have arrangements or other interests that provide them with interests in the merger that are different than those of Schering-Plough s other shareholders. For example, the merger agreement provides that three directors of Schering-Plough will become directors of New Merck after the merger. While other Schering-Plough directors will not become directors of New Merck after the merger, New Merck will indemnify and maintain liability insurance for each of the Schering-Plough directors services as directors of Schering-Plough before the merger. In addition, the executive officers of Schering-Plough have employment, indemnification, equity award, incentive and bonus, pension and severance arrangements. These and other material interests of the directors and executive officers of Schering-Plough in the merger that are different than those of the other Schering-Plough shareholders are described under The Transaction Interests of Schering-Plough s Directors and Management in the Transaction beginning on page 90.

Failure to complete the merger could negatively impact the stock price and the future business and financial results of Merck and Schering-Plough.

If the merger is not completed, the ongoing businesses of Merck and Schering-Plough may be adversely affected and, without realizing any of the benefits of having completed the merger, Merck and Schering-Plough will be subject to a number of risks, including the following:

- Schering-Plough may be required to pay Merck a termination fee of up to $1.25 billion if the merger agreement is terminated under certain circumstances (plus, in certain circumstances, Schering-Plough also would be obligated to reimburse Merck up to $250 million of Merck s actual expenses incurred in connection with the

merger), or Merck may be required to pay Schering-Plough a termination fee of $1.25 billion if the merger agreement is terminated under certain other circumstances (and, in certain circumstances, Merck also would be obligated to reimburse Schering-Plough up to $150 million of

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Schering-Plough s actual expenses incurred in connection with the merger), all as described in the merger agreement and summarized in this joint proxy statement/prospectus;

Merck will be required to pay Schering-Plough a termination fee of $2.5 billion and reimburse Schering-Plough s expenses up to a maximum of $150 million if either Merck or Schering-Plough terminates the merger agreement because the drop-dead date, as it may be extended, has occurred and the merger has not been consummated because the proceeds of the financing are not available in full;

Merck and Schering-Plough will be required to pay certain costs relating to the merger, whether or not the merger is completed; and

matters relating to the merger (including integration planning) may require substantial commitments of time and resources by Merck and Schering-Plough management, which could otherwise have been devoted to other opportunities that may have been beneficial to Merck and Schering-Plough as independent companies, as the case may be.

Merck and Schering-Plough also could be subject to litigation related to any failure to complete the merger or related to any enforcement proceeding commenced against Merck or Schering-Plough to perform their respective obligations under the merger agreement. If the merger is not completed, these risks may materialize and may adversely affect Merck s and Schering-Plough s business, financial results and stock price.

Risks Related to New Merck After Completion of the Transaction

The indebtedness of New Merck following the completion of the merger will be substantially greater than Merck s indebtedness on a stand-alone basis and greater than the combined indebtedness of Merck and Schering-Plough existing prior to the transaction. This increased level of indebtedness could adversely affect New Merck, including by reducing funds available for other business purposes.

The indebtedness of Merck and Schering-Plough as of March 31, 2009 was approximately $6.7 billion and $7.9 billion, respectively. New Merck s pro forma indebtedness as of March 31, 2009, after giving effect to the merger, would be approximately $23.4 billion. As a result of the substantial increase in debt and the cost of that debt, the amount of cash required to service New Merck s increased indebtedness levels and thus the demands on New Merck s cash resources may be significantly greater than the percentages of cash flows required to service the indebtedness of Merck or Schering-Plough individually prior to the transaction. The increased levels of indebtedness could reduce funds available for New Merck s investment in research and development as well as capital expenditures and other activities, and may create competitive disadvantages for New Merck relative to other companies with lower debt levels.

New Merck will face intense competition from lower-cost generic products.

In general, both Merck and Schering-Plough face increasing competition from lower-cost generic products and New Merck will face the same challenge after the merger. The patent rights that protect Merck s and Schering-Plough s products are of varying strengths and durations. In addition, in some countries, patent protection is significantly weaker than in the United States or the European Union. In the United States, political pressure to reduce spending on prescription drugs has led to legislation that encourages the use of generic products. Generic challenges to our products could arise at any time, and we may not be able to prevent the emergence of generic competition for our products.

Loss of patent protection for a product typically is followed promptly by generic substitutes, reducing sales of that product. Availability of generic substitutes for the combined company s drugs may adversely affect its results of operations and cash flow. In addition, proposals emerge from time to time in the United States and other countries for legislation to further encourage the early and rapid approval of generic drugs. Any such proposal that is enacted into law could increase the substantial negative impact on Merck s, Schering-Plough s, and, after the completion of the merger, New Merck s sales, business, cash flow, results of operations, financial position and prospects resulting from the availability of generic substitutes for products.

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New Merck will face intense competition from new products.

New Merck s products will face intense competition from competitors products. This competition may increase as new products enter the market. Competitors products may be safer or more effective or more effectively marketed and sold than New Merck s products. Alternatively, in the case of generic competition, they may be equally safe and effective products that are sold at a substantially lower price than New Merck s products. As a result, if New Merck fails to maintain its competitive position, this could have a material adverse effect on New Merck s business, cash flows, results of operations, financial position and prospects.

Key Merck and Schering-Plough products generate a significant amount of Merck s and Schering-Plough s profits and cash flows, and subsequent to the merger, will generate a significant amount of New Merck s profits and cash flows, and any events that adversely affect the markets for these products could have a material and negative impact on results of operations and cash flows.

Merck s and Schering-Plough s ability to generate profits and operating cash flow depends largely upon the continued profitability of Merck s key products including, without limitation, *Singulair*, *Cozaar/Hyzaar*, *Januvia* and *Gardasil* and Schering-Plough s and Merck s cholesterol franchise, consisting of *Vytorin* and *Zetia*, and other Schering-Plough key products including, without limitation, *Remicade*, *Temodar*, *Nasonex*, and *PegIntron.* As a result of Merck s and Schering-Plough s dependence on key products, any event that adversely affects any of these products or the markets for any of these products could have a significant impact on results of operations and cash flows of both companies and of the combined company after the merger. These events could include loss of patent protection, increased costs associated with manufacturing, generic or OTC availability of Merck s and Schering-Plough s product or a competitive product, the discovery of previously unknown side effects, increased competition from the introduction of new, more effective treatments and discontinuation or removal from the market of the product for any reason.

Merck and Schering-Plough are involved in arrangements with third parties that may restrict Merck s and Schering-Plough s, and subsequently New Merck s, ability to sell, market, promote and develop products in certain markets.

Merck and Schering-Plough are each party to numerous co-promotion, development, licensing and other agreements and arrangements with third parties, some of which may contain provisions limiting Merck s or Schering-Plough s ability to sell, market, promote and/or develop products in specified markets. Following the completion of the transaction, products previously marketed by either Merck or Schering-Plough may fall under the parameters of these restrictions by virtue of the combination of the two companies. If it is determined that any of New Merck s products are subject to these restrictions, New Merck may be required to divest, license or otherwise cease marketing these products in various geographic territories, potentially worldwide, and may or may not be entitled to retain passive revenue in connection with actions taken to comply with any such restriction. In the event any product captured by these restrictions as a result of the transaction contributes significantly to sales, the divesture of rights to market the product could have an adverse effect on New Merck s business, cash flows, results of operations, financial position and prospects.

Merck faces significant litigation related to* Vioxx *and, if the merger is consummated, New Merck will face that litigation.

On September 30, 2004, Merck voluntarily withdrew *Vioxx*, its arthritis and acute pain medication, from the market worldwide. As of March 31, 2009, approximately 10,625 product liability lawsuits, involving approximately 25,675 plaintiff groups, alleging personal injuries resulting from the use of *Vioxx,* have been filed against Merck in state and federal courts in the United States. Merck is also a defendant in approximately 242 putative class actions related to the use of *Vioxx.* (All of these suits are referred to as the *Vioxx* Product Liability Lawsuits.) On November 9, 2007, Merck

announced that it had entered into an agreement (the Settlement Agreement) with the law firms that comprise the executive committee of the Plaintiffs Steering Committee of the federal multidistrict *Vioxx* litigation as well as representatives of plaintiffs counsel in the Texas, New Jersey and California state coordinated proceedings, to resolve state and federal myocardial infarction (MI) and ischemic stroke (IS) claims filed as of that date in the United States. The Settlement

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Agreement, which also applies to tolled claims, was signed by the parties after several meetings with three of the four judges overseeing the coordination of more than 95% of the current claims in the *Vioxx* product liability litigation. The Settlement Agreement applies only to U.S. legal residents and those who allege that their MI or IS occurred in the United States.

As of October 30, 2008, the deadline for enrollment in the Settlement Program, more than 48,100 of the approximately 48,325 individuals who were eligible for the Settlement Program and whose claims were not (1) dismissed, (2) expected to be dismissed in the near future, or (3) tolled claims that appear to have been abandoned had submitted some or all of the materials required for enrollment in the Settlement Program. This represents approximately 99.8% of the eligible MI and IS claims previously registered with the Settlement Program. Under the terms of the Settlement Agreement, Merck could exercise a right to walk away from the Settlement Agreement if the thresholds and other requirements were not met. Merck waived that right as of August 4, 2008. The waiver of that right triggered Merck s obligation to pay a fixed total of $4.85 billion. Payments will be made in installments into the settlement funds. The first payment of $500 million was made in August 2008 and an additional payment of $250 million was made in October 2008. Payments of $12 million and $3 million were made in February and March 2009, respectively, into the IS Settlement Fund. In addition, in April 2009, payments of $110 million and $12 million were made into the MI and IS Settlement Funds, respectively. Interim payments to IS claimants began on February 27, 2009. Additional payments will be made on a periodic basis going forward, when and as needed to fund payments of claims and administrative expenses. During 2009, Merck anticipates that it will make total payments of $3.4 billion into the *Vioxx* settlement funds pursuant to the Settlement Agreement. However, if the pending merger with Schering-Plough is completed in 2009, as expected, Merck expects it will also pay the remaining approximately $700 million into the IS Settlement Fund.

Of the plaintiff groups described above, most are currently in the *Vioxx* Settlement Program. As of March 31, 2009, approximately 70 plaintiff groups who were otherwise eligible for the Settlement Program have not participated and their claims remained pending against Merck. In addition, the claims of 400 plaintiff groups who are not eligible for the program remained pending against Merck. A number of these 400 plaintiff groups are subject to motions to dismiss for failure to comply with court-ordered deadlines.

Claims of certain individual third-party payors remain pending in the New Jersey court, and counsel purporting to represent a large number of third-party payors has threatened to file numerous additional such actions. Discovery is currently ongoing in these cases, and a status conference with the court took place in January 2009 to discuss scheduling issues, including the selection of early trial pool cases.

There are also pending in various U.S. courts putative class actions purportedly brought on behalf of individual purchasers or users of *Vioxx* and claiming either reimbursement of alleged economic loss or an entitlement to medical monitoring. The majority of these cases are at early procedural stages. On June 12, 2008, a Missouri state court certified a class of Missouri plaintiffs seeking reimbursement for out-of-pocket costs relating to *Vioxx*. The plaintiffs do not allege any personal injuries from taking *Vioxx*. The Missouri Court of Appeals affirmed the trial court s certification of a class on May 12, 2009. Merck is preparing a combined motion for rehearing and application to transfer the case to the Missouri Supreme Court. In New Jersey, the trial court dismissed the complaint in the case of Sinclair, a purported statewide medical monitoring class. The Appellate Division reversed the dismissal, and the issue was appealed to the New Jersey Supreme Court. That court heard argument on October 22, 2007. On June 4, 2008, the New Jersey Supreme Court reversed the Appellate Division and dismissed this action. Plaintiffs also have filed a class action in California state court seeking certification of a class of California third-party payors and end-users. The court denied the motion for class certification on April 30, 2009.

In addition to the *Vioxx* Product Liability Lawsuits, various putative class actions and individual lawsuits have been brought against Merck and several current and former officers and directors of Merck alleging that Merck made false

and misleading statements regarding *Vioxx* in violation of the federal and state securities laws (all of these suits are referred to as the *Vioxx* Securities Lawsuits). On April 12, 2007, Judge Chesler granted defendants motion to dismiss the complaint with prejudice. Plaintiffs appealed Judge Chesler s decision to the United States Court of Appeals for the Third Circuit. On September 9, 2008, the Third Circuit

issued an opinion reversing Judge Chesler s order and remanding the case to the District Court. On September 23, 2008, Merck filed a petition seeking rehearing *en banc,* which was denied. The case was remanded to the District Court in October 2008, and plaintiffs have filed their Consolidated and Fifth Amended Class Action Complaint. Merck filed a petition for a writ of certiorari with the United States Supreme Court on January 15, 2009. On March 23, 2009, plaintiffs filed a response to Merck s petition and, on April 7, 2009, Merck filed a reply brief. Merck expects to file a motion to dismiss the Fifth Amended Class Action Complaint. In addition, various putative class actions have been brought against Merck and several current and former employees, officers, and directors of Merck alleging violations of ERISA. (All of these suits are referred to as the *Vioxx* ERISA Lawsuits.) In addition, shareholder derivative suits that were previously filed and dismissed are now on appeal and several shareholders have filed demands with Merck asserting claims against Merck Board members and Merck officers. (All of these suits and demands are referred to as the *Vioxx* Derivative Lawsuits and, together with the *Vioxx* Securities Lawsuits and the *Vioxx* ERISA Lawsuits, the *Vioxx* Shareholder Lawsuits.) Merck has also been named as a defendant in actions in various countries outside the United States. (All of these suits are referred to as the *Vioxx* Foreign Lawsuits.) Merck has also been sued by ten states, five counties and New York City with respect to the marketing of *Vioxx.* Merck anticipates that additional lawsuits relating to *Vioxx* may be filed against it and/or certain of its current and former officers and directors in the future.

The SEC is conducting a formal investigation of Merck concerning *Vioxx.* Merck has received subpoenas from the U.S. Department of Justice requesting information related to Merck s research, marketing and selling activities with respect to *Vioxx* in a federal health care investigation under criminal statutes. This investigation includes subpoenas for witnesses to appear before a grand jury. In March 2009, Merck received a letter from the U.S. Attorney s Office for the District of Massachusetts identifying it as a target of the grand jury investigation regarding *Vioxx*. There are also ongoing investigations by local authorities in certain cities in Europe in order to determine whether any criminal charges should be brought concerning *Vioxx*. Merck is cooperating with authorities in all of these investigations. (All of these investigations are referred to as the *Vioxx* Investigations.) Merck cannot predict the outcome of any of these investigations; however, they could result in potential civil and/or criminal liability.

Juries have now decided in favor of Merck twelve times and in plaintiffs favor five times. One Merck verdict was set aside by the court and has not been retried. Another Merck verdict was set aside and retried, leading to one of the five plaintiffs verdicts. There have been two unresolved mistrials. With respect to the five plaintiffs verdicts, Merck filed an appeal or sought judicial review in each of those cases. In one of those five, an intermediate appellate court overturned the trial verdict and directed that judgment be entered for Merck, and in another, an intermediate appellate court overturned the trial verdict, entering judgment for Merck on one claim and ordering a new trial on the remaining claims.

The outcomes of these *Vioxx* Product Liability trials should not be interpreted to indicate any trend or what outcome may be likely in future *Vioxx* trials.

A trial in a representative action in Australia commenced on March 30, 2009, in the Federal Court of Australia. The named plaintiff, who alleges he suffered a MI, seeks to represent others in Australia who ingested *Vioxx* and suffered a MI, thrombotic stroke, unstable angina, transient ischemic attack or peripheral vascular disease. On November 24, 2008, Merck filed a motion for an order that the proceeding no longer continue as a representative proceeding. During a hearing on December 5, 2008, the court dismissed that motion and, on January 9, 2009, issued its reasons for that decision. On February 17, 2009, Merck s motion for leave to appeal that decision was denied and the parties were directed to prepare proposed lists of issues to be tried. On March 11, 2009, the full Federal Court allowed Merck s appeal of that part of the trial judge s order that had declined to specify the matters to be tried and directed further proceedings on remand on that issue. On March 30, 2009, the trial judge entered an order directing that, in advance of all other issues in the proceeding, the issues to be determined during the trial are those issues of fact and law in the named plaintiff s individual case, and those issues of fact and law that the trial judge finds, after hearing the evidence,

are common to the claims of the group members that the named plaintiff has alleged that he represents.

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Merck currently anticipates that one U.S. *Vioxx* Product Liability Lawsuit will be tried in 2009. Except with respect to the product liability trial being held in Australia, Merck cannot predict the timing of any other trials related to the *Vioxx* Litigation. Merck believes that it has meritorious defenses to the *Vioxx* Product Liability Lawsuits, *Vioxx* Shareholder Lawsuits and *Vioxx* Foreign Lawsuits (collectively, the *Vioxx* Lawsuits) and will vigorously defend against them. Merck s insurance coverage with respect to the *Vioxx* Lawsuits will not be adequate to cover its defense costs and any losses.

During the first quarter of 2009, Merck spent approximately $54 million in the aggregate in legal defense costs worldwide related to (1) the *Vioxx* Product Liability Lawsuits, (2) the *Vioxx* Shareholder Lawsuits, (3) the *Vioxx* Foreign Lawsuits, and (4) the *Vioxx* Investigations (collectively, the *Vioxx* Litigation). In addition, in the first quarter of 2009, Merck paid an additional $15 million into the settlement funds in connection with the Settlement Program. Consequently, as of March 31, 2009, the aggregate amount of Merck s total reserve for the *Vioxx* Litigation (the *Vioxx* Reserve) was approximately $4.310 billion. The amount of the *Vioxx* Reserve allocated to defense costs is based on certain assumptions, and is the best estimate of the minimum amount that Merck believes will be incurred in connection with the remaining aspects of the *Vioxx* Litigation; however, events such as additional trials in the *Vioxx* Litigation and other events that could arise in the course of the *Vioxx* Litigation could affect the ultimate amount of defense costs to be incurred by Merck and, if the merger is consummated, New Merck.

Merck is not currently able to estimate any additional amount of damages that it may be required to pay in connection with the *Vioxx* Lawsuits or *Vioxx* Investigations. These proceedings are still expected to continue for years and Merck has very little information as to the course the proceedings will take. In view of the inherent difficulty of predicting the outcome of litigation, particularly where there are many claimants and the claimants seek unspecified damages, Merck is unable to predict the outcome of these matters, and at this time cannot reasonably estimate the possible loss or range of loss with respect to the *Vioxx* Lawsuits not included in the Settlement Program. Merck has not established any reserves for any potential liability relating to the *Vioxx* Lawsuits not included in the Settlement Program or the *Vioxx* Investigations.

A series of unfavorable outcomes in the *Vioxx* Lawsuits or the *Vioxx* Investigations, resulting in the payment of substantial damages or fines or resulting in criminal penalties, in excess of the *Vioxx* Reserve, could have a material adverse effect on Merck s and, if the merger is completed, New Merck s business, cash flows, results of operations, financial position and prospects.

***Merck faces and, if the merger is completed prior to resolution of the litigation, New Merck will face, patent litigation related to* Singulair.**

In February 2007, Merck received a notice from Teva Pharmaceuticals, Inc. (Teva), a generic company, indicating that it had filed an Abbreviated New Drug Application (ANDA) for montelukast and that it is challenging the U.S. patent that is listed for *Singulair*. On April 2, 2007, Merck filed a patent infringement action against Teva. The lawsuit automatically stays United States Food and Drug Administration (FDA) approval of Teva s ANDA until August 2009 or until an adverse court decision, if any, whichever may occur earlier. A trial in this matter was held in February 2009. Merck is awaiting the court s decision which Merck expects to receive before the stay expires in August 2009. Patent litigation and other challenges to Merck s *Singulair* patents are costly and unpredictable and may deprive Merck and, if the merger is completed, New Merck, of market exclusivity. If *Singulair* loses patent protection, sales of *Singulair* are likely to decline significantly as a result of generic versions of it becoming available. An unfavorable outcome in the *Singulair* litigation, could have a material adverse effect on Merck s and, if the merger is completed, New Merck s business, cash flows, results of operations, financial position and prospects.

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Government investigations involving Merck or Schering-Plough, or New Merck after completion of the merger, could lead to the commencement of civil and/or criminal proceedings involving the imposition of substantial fines, penalties and injunctive or administrative remedies, including exclusion from government reimbursement programs, which could give rise to other investigations or litigation by government entities or private parties.

We cannot predict whether future or pending investigations to which Merck or Schering-Plough, or New Merck after completion of the merger, may become subject would lead to a judgment or settlement involving a significant monetary award or restrictions on its operations.

The pricing, sales and marketing programs and arrangements and related business practices of Merck, Schering-Plough and other participants in the health care industry are under increasing scrutiny from federal and state regulatory, investigative, prosecutorial and administrative entities. These entities include the Department of Justice and its U.S. Attorneys Offices, the Office of Inspector General of the Department of Health and Human Services, the FDA, the Federal Trade Commission and various state Attorneys General offices. Many of the health care laws under which certain of these governmental entities operate, including the federal and state anti-kickback statutes and statutory and common law false claims laws, have been construed broadly by the courts and permit the government entities to exercise significant discretion. In the event that any of those governmental entities believes that wrongdoing has occurred, one or more of them could institute civil or criminal proceedings which, if resolved unfavorably, could subject Merck or Schering-Plough, or New Merck after completion of the merger, to substantial fines, penalties and injunctive or administrative remedies, including exclusion from government reimbursement programs. In addition, an adverse outcome to a government investigation could prompt other government entities to commence investigations of Merck or Schering-Plough, or New Merck after completion of the merger, or cause those entities or private parties to bring civil claims against it. We also cannot predict whether any investigations will affect marketing practices or sales. Any such result could have a material adverse impact on Merck s or Schering-Plough s, or New Merck s after completion of the merger, results of operations, cash flows, financial condition or business.

Regardless of the merits or outcomes of any investigation, government investigations are costly, divert management s attention from our business and may result in substantial damage to our reputation. For additional information about these investigations, see the respective reports of Schering-Plough and Merck described under Where You Can Find More Information beginning on page 157.

There are other legal matters in which adverse outcomes could negatively affect New Merck s results of operations, cash flows, financial condition or business.

Unfavorable outcomes in other pending litigation matters, or in future litigation, including litigation concerning product pricing, securities law violations, product liability claims, ERISA matters, patent and intellectual property disputes, and antitrust matters could preclude the commercialization of products, negatively affect the profitability of existing products and subject New Merck to substantial fines, penalties and injunctive or administrative remedies, including exclusion from government reimbursement programs. Any such result could materially and adversely affect New Merck s results of operations, cash flows, financial condition or business.

Further, aggressive plaintiffs counsel often file litigation on a wide variety of allegations whenever there is media attention or negative discussion about the efficacy or safety of a product and whenever the stock price is volatile; even when the allegations are groundless, we may need to expend considerable funds and other resources to respond to such litigation. For further information on material legal matters facing Schering-Plough and Merck, see the reports described under Where You Can Find More Information beginning on page 157.

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New Merck and third parties acting on New Merck s behalf will be subject to governmental regulations, and the failure to comply with, as well as the costs of compliance with, these regulations may adversely affect New Merck s results of operations, cash flow and financial position.

New Merck s manufacturing and research practices and those of third parties acting on New Merck s behalf must meet stringent regulatory standards and are subject to regular inspections. The cost of regulatory compliance, including that associated with compliance failures, could materially affect New Merck s results of operations, cash flow and financial position. Failure to comply with regulations, which include pharmacovigilance reporting requirements and standards relating to clinical, laboratory and manufacturing practices, could result in suspension or termination of clinical studies, delays or failure in obtaining the approval of drugs, seizure or recalls of drugs, suspension or revocation of the authority necessary for the production and sale of drugs, withdrawal of approval, fines and other civil or criminal sanctions.

New Merck will also be subject to other regulations, including environmental, health and safety, and labor regulations.

Certain of Schering-Plough s and Merck s major products are going to lose patent protection in the near future and, when that occurs, we expect a significant decline in sales of those products.

Each of Schering-Plough and Merck depends upon patents to provide it with exclusive marketing rights for its products for some period of time. As patents for several of its products have recently expired, or are about to expire, in the United States and in other countries, Schering-Plough and Merck and, if the merger is consummated, New Merck will each face strong competition from lower-priced generic drugs. Loss of patent protection for a product typically leads to a rapid loss of sales for that product, as lower-priced generic versions of that drug become available. In the case of products that contribute significantly to sales, the loss of patent protection could have a material adverse effect on each of Schering-Plough s and Merck s and, if the merger is consummated, New Merck s business, cash flows, results of operations, financial position and prospects.

Both Merck and Schering-Plough are dependent on our patent rights, and if our patent rights are invalidated or circumvented, our business, and the business of New Merck if the merger is completed, would be adversely affected.

Patent protection will be of material importance in our marketing of human health products in the United States and in most major foreign markets. Patents covering products that have been or will be introduced normally provide a period of market exclusivity, which is important for the successful marketing and sale of our products. We seek patents covering each of our products in each of the markets where we intend to sell the products and where meaningful patent protection is available.

Even if we succeed in obtaining patents covering our products, third parties or government authorities may challenge or seek to invalidate or circumvent our patents and patent applications. It will be important for our business to defend successfully the patent rights that provide market exclusivity for our products. We are often involved in patent disputes relating to challenges to our patents or infringement and similar claims against us. We aggressively defend our important patents both within and outside the United States, including by filing claims of infringement against other parties, however, there can be no guarantee that our efforts will be successful. In particular, manufacturers of generic pharmaceutical products from time to time file ANDAs with the FDA seeking to market generic forms of our products prior to the expiration of relevant patents owned by us. We normally respond by vigorously defending our patent, including by filing lawsuits alleging patent infringement. Patent litigation and other potential challenges to our patent portfolio will be costly and unpredictable. An adverse determination by a court may deprive us of market exclusivity for our patented products or, in some cases, third-party patents may prevent us from marketing and selling products in a particular geographic area and may lead to significant financial damages for past and ongoing

infringement. Due to the uncertainty surrounding patent litigation, parties may settle patent disputes by obtaining a license under mutually agreeable terms in order to decrease risk of an interruption in manufacturing and/or marketing of their products.

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Additionally, certain foreign governments have indicated that compulsory licenses to patents may be granted in the case of national emergencies, which could diminish or eliminate sales and profits from those regions and negatively affect our results of operations. Further, recent court decisions relating to other companies U.S. patents, potential U.S. legislation relating to patent reform, as well as regulatory initiatives may result in further erosion of intellectual property protection.

If one or more important products lose patent protection in profitable markets, sales of our products will likely decline significantly as a result of generic versions of those products becoming available. Our results of operations may be adversely affected by the lost sales unless and until we successfully launch commercially successful proprietary replacement products.

New Merck s research and development efforts may not succeed in developing commercially successful products and New Merck may not be able to acquire commercially successful products in other ways, and consequently, New Merck may not be able to replace sales of successful products that have lost patent protection.

Like other major pharmaceutical companies, in order to remain competitive, New Merck must be able to launch new products each year. Declines in sales of products after the loss of marketing exclusivity mean that New Merck s future success is dependent on New Merck s pipeline of new products, including new products that New Merck develops through joint ventures and products that it is able to obtain through license or acquisition. To accomplish this, New Merck will commit substantial effort, funds and other resources to research and development, both through New Merck s own dedicated resources, and through various collaborations with third parties. To support its research and development efforts New Merck must make ongoing, substantial expenditures, without any assurance that the efforts it is funding will result in a commercially successful product. New Merck must also commit substantial efforts, funds and other resources to recruiting and retaining high-quality scientists and other personnel with pharmaceutical research and development expertise.

There is a high rate of failure inherent in the research to develop new drugs to treat diseases. As a result, there is a high risk that funds invested by Merck or Schering-Plough or New Merck following the merger in research programs will not generate financial returns. This risk profile is compounded by the fact that this research has a long investment cycle. To bring a pharmaceutical compound from the discovery phase to market may take a decade or more and failure can occur at any point in the process, including later in the process after significant funds have been invested.

Each phase of testing is highly regulated, and during each phase there is a substantial risk that New Merck will encounter serious obstacles or will not achieve its goals, and accordingly New Merck may abandon a product in which it has invested substantial amounts of time and money. Some of the risks encountered in the research and development process include the following: pre-clinical testing of a new compound may yield disappointing results; clinical trials of a new drug may not be successful; a new drug may not be effective or may have harmful side effects; a new drug may not be approved by the FDA for its intended use; it may not be possible to obtain a patent for a new drug; manufacturing costs or other factors may make marketing a new product economically unfeasible; proprietary rights of others may preclude our commercialization of a new product; or sales of a new product may be disappointing.

In that connection, on June 5, 2009, Merck announced that the preliminary results for its pivotal Phase III study of rolofylline, an investigational medicine for the treatment of acute heart failure, indicated that rolofylline did not meet the primary or secondary endpoints of the study. The primary hypothesis of the study, called PROTECT, was that rolofylline would improve symptoms of acute heart failure compared to placebo. The secondary endpoints were that rolofylline would reduce the risk of death or cardiovascular or renal re-hospitalization within 60 days of treatment, and would reduce the risk of persistent kidney impairment.

Merck and Schering-Plough cannot state with certainty when or whether any of Schering-Plough s or Merck s products now under development will be approved or launched; whether New Merck will develop, license or otherwise acquire compounds, product candidates or products; or whether any products, once launched, will be commercially successful. New Merck must be able to maintain a continuous flow of

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successful new products and successful new indications or brand extensions for existing products sufficient both to cover substantial research and development costs and to replace sales that are lost as profitable products lose patent protection or are displaced by competing products or therapies. Failure to do so in the short term or long term could have a material adverse effect on New Merck s business, cash flows, results of operations, financial position and prospects.

Issues concerning Vytorin and the ENHANCE and SEAS clinical trials could have a material adverse effect on sales of Vytorin and Zetia in the U.S., which in turn could have a material adverse effect on New Merck s financial condition.

Schering-Plough and Merck sell *Vytorin* and *Zetia* through our joint venture company, referred to in this joint proxy statement/prospectus as the Merck/Schering-Plough cholesterol partnership. Upon consummation of the merger, the Merck/Schering-Plough cholesterol partnership would be wholly owned by New Merck. On January 14, 2008, the Merck/Schering-Plough cholesterol partnership announced the primary endpoint and other results of the ENHANCE trial. ENHANCE was a surrogate endpoint trial conducted in 720 patients with Heterozygous Familial Hypercholesterolemia, a rare condition that affects approximately 0.2% of the population. The primary endpoint was the mean change in the intima-media thickness measured at three sites in the carotid arteries (the right and left common carotid, internal carotid and carotid bulb) between patients treated with ezetimibe/simvastatin 10/80 mg versus patients treated with simvastatin 80 mg alone over a two year period. There was no statistically significant difference between treatment groups on the primary endpoint. There was also no statistically significant difference between the treatment groups for each of the components of the primary endpoint, including the common carotid artery.

As previously disclosed, we have received several letters addressed to both Merck and Schering-Plough from the House Committee on Energy and Commerce, its Subcommittee on Oversight and Investigations (O&I), and the Ranking Minority Member of the Senate Finance Committee, collectively seeking a combination of witness interviews, documents and information on a variety of issues related to the ENHANCE clinical trial, the sale and promotion of *Vytorin*, as well as sales of stock by corporate officers. In addition, since August 2008, we have received three additional letters from O&I, including one dated February 19, 2009, seeking certain information and documents related to the SEAS clinical trial, which is described in more detail below. Merck and Schering-Plough have each received subpoenas from the New York and New Jersey State Attorneys General Offices and a letter from the Connecticut Attorney General seeking similar information and documents. In addition, Merck has received six Civil Investigative Demands (CIDs) from a multistate group of 34 State Attorneys General who are jointly investigating whether the companies violated state consumer protection laws when marketing *Vytorin*. Finally, in September 2008, Merck received a letter from the Civil Division of the DOJ informing it that the DOJ is investigating whether the companies conduct relating to the promotion of *Vytorin* caused false claims to be submitted to federal health care programs. We are cooperating with these investigations and working together to respond to the inquiries. In addition, Merck has become aware of, or been served with, approximately 145 civil class action lawsuits alleging common law and state consumer fraud claims in connection with the Merck/Schering-Plough cholesterol partnership s sale and promotion of *Vytorin* and *Zetia*. Certain of those lawsuits allege personal injuries and/or seek medical monitoring.

Also, as previously disclosed, on April 3, 2008, a Merck shareholder filed a putative class action lawsuit in federal court in the Eastern District of Pennsylvania alleging that Merck and its Chairman, President and Chief Executive Officer, Richard T. Clark, violated the federal securities laws. This suit has since been withdrawn and re-filed in the District of New Jersey and has been consolidated with another federal securities lawsuit under the caption In re Merck & Co., Inc. *Vytorin* Securities Litigation. An amended consolidated complaint was filed on October 6, 2008 and names as defendants Merck; Merck/Schering-Plough Pharmaceuticals, LLC; and certain of Merck s officers and directors. Specifically, the complaint alleges that Merck delayed releasing unfavorable results of a clinical study regarding the efficacy of *Vytorin* and that Merck made false and misleading statements about expected earnings,

knowing that once the results of the *Vytorin* study were released, sales of *Vytorin* would decline and Merck s earnings would suffer. On April 22, 2008, a member of a Merck ERISA plan filed a putative class action lawsuit against Merck and certain of its officers

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and directors alleging they breached their fiduciary duties under ERISA. Since that time, there have been other similar ERISA lawsuits filed against Merck in the District of New Jersey, and all of those lawsuits have been consolidated under the caption In re Merck & Co., Inc. *Vytorin* ERISA Litigation. An amended consolidated complaint was filed on February 5, 2009, and names as defendants Merck and various members of Merck s board of directors and members of committees of Merck s board of directors.

In addition, Schering-Plough continues to respond to existing and new litigation, including several putative shareholder securities class action lawsuits (where several officers are also named defendants) alleging false and misleading statements and omissions by Schering-Plough and its representatives related to the timing of disclosures concerning the ENHANCE results; a putative shareholder securities class action lawsuit (where several officers and directors are also named), alleging material misstatements and omissions related to the ENHANCE results in the offering documents in connection with Schering-Plough s 2007 securities offerings; several putative class action suits alleging that Schering-Plough and certain officers and directors breached their fiduciary duties under ERISA; a shareholder derivative action alleging that the board of directors breached its fiduciary obligations relating to the timing of the release of the ENHANCE results; and a letter on behalf of a single shareholder requesting that the board of directors investigate the allegations in the litigation described above and, if warranted, bring any appropriate legal action on behalf of Schering-Plough.

In January 2009, the FDA announced that it had completed its review of the final clinical study report of ENHANCE. The FDA stated that the results from ENHANCE did not change its position that an elevated LDL cholesterol is a risk factor for cardiovascular disease and that lowering LDL cholesterol reduces the risk for cardiovascular disease. The FDA also stated that, based on current available data, patients should not stop taking *Vytorin* or other cholesterol lowering medications and should talk to their doctor if they have any questions about *Vytorin*, *Zetia*, or the ENHANCE trial.

In July 2008, efficacy and safety results from the SEAS study were announced. SEAS was designed to evaluate whether intensive lipid lowering with *Vytorin* would reduce the need for aortic valve replacement and the risk of cardiovascular morbidity and mortality versus placebo in patients with asymptomatic mild to moderate aortic stenosis who had no indication for statin therapy. *Vytorin* failed to meet its primary endpoint for the reduction of major cardiovascular events. There also was no significant difference in the key secondary endpoint of aortic valve events; however, there was a reduction in the group of patients taking *Vytorin* compared to placebo in the key secondary endpoint of ischemic cardiovascular events. In the study, patients in the group who took *Vytorin* had a higher incidence of cancer than the group who took placebo. There was also a statistically nonsignificant increase in deaths from cancer in patients in the group who took *Vytorin* versus those who took placebo. Cancer and cancer deaths were distributed across all major organ systems.

In August 2008, the FDA announced that it was investigating the results from the SEAS trial. In this announcement, the FDA also cited interim data from two large ongoing cardiovascular trials of *Vytorin* the Study of Heart and Renal Protection (referred to as SHARP) and the IMPROVE-IT clinical trials in which there was no increased risk of cancer with the combination of simvastatin plus ezetimibe. The SHARP trial is expected to be completed in 2010. The IMPROVE-IT trial is scheduled for completion around 2012. The FDA determined that, as of that time, these findings in the SEAS trial plus the interim data from ongoing trials should not prompt patients to stop taking *Vytorin* or any other cholesterol lowering drug.

In 2008, following the announcements of the ENHANCE and SEAS clinical trial results, sales of *Vytorin* and *Zetia* declined in the U.S. These issues concerning the ENHANCE and SEAS clinical trials have had an adverse effect on the Merck/Schering-Plough cholesterol partnership s sales of *Vytorin* and *Zetia* and could continue to have an adverse effect on the sales of the combined company. If sales of such products are materially adversely affected, Merck s, Schering-Plough s and, consequently, the combined company s businesses, cash flows, results of operations, financial

positions and prospects could also be materially adversely affected. In addition, unfavorable outcomes resulting from the government investigations or the litigation concerning the sale and promotion of these products could have a material adverse effect on Merck s, Schering-Plough s and, consequently, the combined company s businesses, cash flows, results of operations, financial positions and prospects.

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Schering-Plough s, Merck s and, if the merger is completed, New Merck s products, including products in development, cannot be marketed unless regulatory approval is obtained and maintained.

Our business activities, including research, preclinical testing, clinical trials and manufacturing and marketing of products, are and will continue to be subject to extensive regulation by numerous federal, state and local governmental authorities in the United States, including the FDA, and by foreign regulatory authorities. In the United States, the FDA is of particular importance, as it administers requirements covering the testing, approval, safety, effectiveness, manufacturing, labeling and marketing of prescription pharmaceuticals. In many cases, FDA requirements have increased the amount of time and money necessary to develop new products and bring them to market in the United States. Regulation outside the United States also is primarily focused on drug safety and effectiveness and, in many cases, cost reduction. The FDA and foreign regulatory authorities have substantial discretion to require additional testing, to delay or withhold registration and marketing approval and to mandate product withdrawals.

Even if Merck, Schering-Plough and, if the merger is completed, New Merck, are successful in developing new products, they will not be able to market any of those new products unless and until they have obtained all required regulatory approvals in each jurisdiction where they propose to market the new products. Once obtained, Merck, Schering-Plough and, if the merger is completed, New Merck must maintain approval as long as they plan to market their new products in each jurisdiction where approval is required. Merck s, Schering-Plough s and, if the merger is completed, New Merck s failure to obtain approval, significant delays in the approval process, or their failure to maintain approval in any jurisdiction will prevent Merck, Schering-Plough and, if the merger is completed, New Merck from selling the new products in that jurisdiction until approval is obtained, if ever. Merck, Schering-Plough and, if the merger is completed, New Merck will not be able to realize revenues for those new products in any jurisdiction where they have not obtained such required approvals.

Developments following regulatory approval may adversely affect sales of Merck s, Schering-Plough s and, if the merger is completed, New Merck s products.

Even after a product reaches market, certain developments following regulatory approval, including results in post-marketing Phase IV trials, may decrease demand for our products, including the following: re-review of products that are already marketed; new scientific information and evolution of scientific theories; recall or loss of marketing approval of products that are already marketed; changing government standards or public expectations regarding safety, efficacy or labeling changes; and greater scrutiny in advertising and promotion.

In the past several years, clinical trials and post-marketing surveillance of certain marketed drugs of competitors within the industry have raised safety concerns that have led to recalls, withdrawals or adverse labeling of marketed products. Clinical trials and post-marketing surveillance of certain marketed drugs also have raised concerns among some prescribers and patients relating to the safety or efficacy of pharmaceutical products in general that have negatively affected the sales of such products. In addition, increased scrutiny of the outcomes of clinical trials have led to increased volatility in market reaction. Further, these matters often attract litigation and, even where the basis for the litigation is groundless, considerable resources may be needed to respond.

In addition, following the wake of product withdrawals of other companies and other significant safety issues, health authorities such as the FDA, the European Medicines Agency (EMEA) and the Pharmaceuticals and Medical Device Agency (PMDA) have increased their focus on safety when assessing the benefit/risk balance of drugs. Some health authorities appear to have become more cautious when making decisions about approvability of new products or indications and are re-reviewing select products that are already marketed, adding further to the uncertainties in the regulatory processes. There is also greater regulatory scrutiny, especially in the U.S., on advertising and promotion and, in particular, direct-to-consumer advertising.

In that connection, on June 12, 2009, the FDA announced that it had completed its review of neuropsychiatric events possibly related to drugs that act through the leukotriene pathway, including *Singulair*. As part of its review, the FDA reviewed post-marketing reports and also requested that manufacturers submit all available clinical trial data for these products. The FDA has requested that manufacturers include a precaution related to neuropsychiatric events (agitation, aggression, anxiousness, dream abnormalities and

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hallucinations, depression, insomnia, irritability, restlessness, suicidal thinking and behavior (including suicide), and tremor) in the drug prescribing information.

If previously unknown side effects are discovered or if there is an increase in negative publicity regarding known side effects of any of our products, it could significantly reduce demand for the product or require Merck, Schering-Plough or New Merck following the merger to take actions that could negatively affect sales, including removing the product from the market, restricting its distribution or applying for labeling changes. Further, in the current environment in which all pharmaceutical companies operate, Merck, Schering-Plough and New Merck following the merger are at risk for product liability claims for their products.

We face pricing pressure with respect to our products.

Our products will be subject to increasing price pressures and other restrictions worldwide, including in the United States. In the United States, these include (1) practices of managed care groups and institutional and governmental purchasers and (2) U.S. federal laws and regulations related to Medicare and Medicaid, including the Medicare Prescription Drug Improvement and Modernization Act of 2003 (2003 Act). The 2003 Act included a prescription drug benefit for individuals, which first went into effect on January 1, 2006, and has resulted in an increased use of generic products. In addition, the increased purchasing power of entities that negotiate on behalf of Medicare beneficiaries could result in further pricing pressures on our, and consequently New Merck s, products.

Outside the United States, numerous major markets have pervasive government involvement in funding healthcare, and in that regard, fix the pricing and reimbursement of pharmaceutical and vaccine products. Consequently, in those markets, we, and consequently New Merck, will be subject to government decision-making and budgetary actions with respect to our products.

In addition, a number of intermediaries are involved between drug manufacturers, such as Merck and Schering-Plough, and patients who use the drugs. These intermediaries impact the patient s ability, and their prescribers ability, to choose and pay for a particular drug, which may adversely affect sales of a particular drug. These intermediaries include health care providers, such as hospitals and clinics; payors and their representatives, such as employers, insurers, managed care organizations and governments; and others in the supply chain, such as pharmacists and wholesalers. Examples include: payors that require a patient to first fail on one or more generic, or less expensive branded drugs, before reimbursing for a more effective, branded product that is more expensive; payors that are increasing patient co-payment amounts; hospitals that stock and administer only a generic product to in-patients; managed care organizations that may penalize doctors who prescribe outside approved formularies, which may not include branded products when a generic is available; and pharmacists who receive larger revenues when they dispense a generic drug over a branded drug. Further, the intermediaries are not required to routinely provide transparent data to patients comparing the effectiveness of generic and branded products or to disclose their own economic benefits that are tied to steering patients toward, or requiring patients to use, generic products rather than branded products.

We expect pricing pressures to increase in the future.

Merck is experiencing difficulties and delays in the manufacturing of certain of its products.

As previously disclosed, Merck has experienced difficulties in manufacturing certain of its vaccines and other products. Merck is working on these issues, but there can be no assurance of when or if these issues will be resolved.

Merck, and consequently New Merck, may experience difficulties and delays inherent in manufacturing its products, such as (1) its failure, or the failure of vendors or suppliers to comply with Current Good Manufacturing Practices and

other applicable regulations and quality assurance guidelines that could lead to manufacturing shutdowns, product shortages and delays in product manufacturing; (2) construction delays related to the construction of new facilities or the expansion of existing facilities, including those intended to support future demand for its products; and (3) other manufacturing or distribution problems including changes in manufacturing production sites and limits to manufacturing capacity due to regulatory requirements, changes

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in types of products produced, or physical limitations that could impact continuous supply. Manufacturing difficulties can result in product shortages, leading to lost sales.

Pharmaceutical products can develop unexpected safety or efficacy concerns.

Unexpected safety or efficacy concerns can arise with respect to marketed products, whether or not scientifically justified, leading to product recalls, withdrawals, or declining sales, as well as product liability, consumer fraud and/or other claims.

Biologics carry unique risks and uncertainties, which could have a negative impact on future results of operations.

Schering-Plough has significant biologics operations, including animal health vaccines, and the biologics business will represent a significant part of the operations of New Merck after the merger. The successful development, testing, manufacturing and commercialization of biologics, particularly human and animal health vaccines, is a long, expensive and uncertain process. There are unique risks and uncertainties with biologics, including:

There may be limited access to and supply of normal and diseased tissue samples, cell lines, pathogens, bacteria, viral strains and other biological materials. In addition, government regulations in multiple jurisdictions such as the U.S. and European states within the EU, could result in restricted access to, or transport or use of, such materials. If Schering-Plough, or New Merck after the merger, loses access to sufficient sources of such materials, or if tighter restrictions are imposed on the use of such materials, we may not be able to conduct research activities as planned and may incur additional development costs.

The development, manufacturing and marketing of biologics are subject to regulation by the FDA, the EMEA and other regulatory bodies. These regulations are often more complex and extensive than the regulations applicable to other pharmaceutical products. For example, in the U.S., a Biologics License Application, including both preclinical and clinical trial data and extensive data regarding manufacturing procedures, is required for human vaccine candidates and FDA approval for the release of each manufactured lot.

Manufacturing biologics, especially in large quantities, is often complex and may require the use of innovative technologies to handle living micro-organisms. Each lot of an approved biologic must undergo thorough testing for identity, strength, quality, purity and potency. Manufacturing biologics requires facilities specifically designed for and validated for this purpose, and sophisticated quality assurance and quality control procedures are necessary. Slight deviations anywhere in the manufacturing process, including filling, labeling, packaging, storage and shipping and quality control and testing, may result in lot failures, product recalls or spoilage. When changes are made to the manufacturing process, we may be required to provide pre-clinical and clinical data showing the comparable identity, strength, quality, purity or potency of the products before and after such changes.

Biologics are frequently costly to manufacture because production ingredients are derived from living animal or plant material, and most biologics cannot be made synthetically. In particular, keeping up with the demand for vaccines may be difficult due to the complexity of producing vaccines.

The use of biologically derived ingredients can lead to allegations of harm, including infections or allergic reactions, or closure of product facilities due to possible contamination. Any of these events could result in substantial costs.

Product liability insurance for products may be limited, cost prohibitive or unavailable.

As a result of a number of factors, product liability insurance has become less available while the cost has increased significantly. Merck has evaluated its risks and has determined that the cost of obtaining product liability insurance outweighs the likely benefits of the coverage that is available and, as such, has no insurance for certain product liabilities effective August 1, 2004, including liability for products first sold after that date. Schering-Plough maintains insurance coverage with such deductibles and self-insurance to reflect market

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conditions (including cost and availability) existing at the time it is written, and the relationship of insurance coverage to self-insurance varies accordingly. With respect to product liability insurance, Schering-Plough self-insures substantially all of its risk, as the availability of commercial insurance has become more restrictive. Merck, Schering-Plough, and if the merger is completed, New Merck, will continually assess the most efficient means to address their insurance needs; however, there can be no guarantee that insurance coverage will be obtained or if obtained, will be sufficient to fully cover product liabilities that may arise.

Changes in laws and regulations could adversely affect our business and the business of New Merck.

All aspects of our respective businesses, and consequently the business of New Merck, including research and development, manufacturing, marketing, pricing, sales, litigation and intellectual property rights are, or in the case of New Merck, will be, subject to extensive legislation and regulation. Changes in applicable federal and state laws and agency regulations, as well as the laws and regulations of foreign jurisdictions, could have a material adverse effect on our respective businesses, and consequently the business of New Merck.

The recent financial crisis and current uncertainty in global economic conditions could negatively affect our operating results and consequently the operating results of New Merck.

Merck, Schering-Plough and New Merck following the merger have exposure to many different industries and counterparties, including commercial banks, investment banks, suppliers and customers (which include wholesalers, managed care organizations and governments) that may be unstable or may become unstable in the current economic environment. Any such instability may impact these parties ability to fulfill contractual obligations to Merck, Schering-Plough or New Merck, following the merger, or they might limit or place burdensome conditions upon future transactions with New Merck. Customers may also reduce spending during times of economic uncertainty. Also, it is possible that suppliers may be negatively impacted. In such events, there could be a resulting material and adverse impact on operations and results of operations.

Further, the current conditions have resulted in severe downward pressure on the stock and credit markets, which could further reduce the return available on invested corporate cash, reduce the return on investments held by the pension plans and thereby potentially increase funding obligations, all of which if severe and sustained could have material and adverse impacts on New Merck s results of operations, financial position and cash flows.

The current financial crisis and uncertainty in global economic conditions have resulted in substantial volatility in the credit markets and a low level of liquidity in many financial markets. These conditions may result in a further slowdown to the global economy that could affect our business and consequently the business of New Merck by reducing the prices that drug wholesalers and retailers, hospitals, government agencies and managed health care providers may be able or willing to pay for our or New Merck s products or by reducing the demand for our products, which could in turn negatively impact our or New Merck s sales and revenue generation and could result in a material adverse effect on our or New Merck s business, cash flows, results of operations, financial position and prospects.

Although none of Schering-Plough, Merck or New Merck after the merger currently has plans to access the equity or debt markets to meet capital or liquidity needs, constriction and volatility in these markets may restrict future flexibility to do so if unforeseen capital or liquidity needs were to arise.

Merck, Schering-Plough and, subsequently, the combined company may be subject to changes in tax laws, including those outlined by President Obama in his Fiscal Year 2010 Revenue Proposal.

In May 2009, President Obama s administration proposed significant changes to the U.S. international tax laws, including changes that would limit U.S. tax deductions for expenses related to un-repatriated foreign-source income

and modify the U.S. foreign tax credit and check-the-box rules. We cannot determine whether these proposals will be enacted into law or what, if any, changes may be made to such proposals prior to their being enacted into law. If these or other changes to the U.S. international tax laws are enacted they could have a significant impact on the financial results of Merck, Schering-Plough and, subsequently, the combined company.

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As a result of the merger, New Merck will have significant global operations, which expose it to additional risks, and any adverse event could have a material negative impact on New Merck s results of operations.

The extent of New Merck s operations outside the U.S. will be significant due to the fact that the majority of Schering-Plough s operations are outside the U.S. Risks inherent in conducting a global business include:

changes in medical reimbursement policies and programs and pricing restrictions in key markets;

multiple regulatory requirements that could restrict New Merck s ability to manufacture and sell its products in key markets;

trade protection measures and import or export licensing requirements;

diminished protection of intellectual property in some countries; and

possible nationalization and expropriation.

In addition, there may be changes to New Merck s business and political position if there is instability, disruption or destruction in a significant geographic region, regardless of cause, including war, terrorism, riot, civil insurrection or social unrest; and natural or man-made disasters, including famine, flood, fire, earthquake, storm or disease.

Reliance on third party relationships and outsourcing arrangements could adversely affect our, and consequently New Merck s, business.

We depend on third parties, including suppliers, alliances with other pharmaceutical and biotechnology companies and third party service providers, for key aspects of our businesses including development, manufacture and commercialization of our products and support for our information technology systems. Failure of these third parties to meet their contractual, regulatory and other obligations to us or the development of factors that materially disrupt our relationships with these third parties, could have a material adverse effect on our, and consequently New Merck s, business.

We are and, after the merger is completed, New Merck will be, increasingly dependent on sophisticated information technology and infrastructure.

We are, and New Merck will be, increasingly dependent on sophisticated information technology and infrastructure. Any significant breakdown, intrusion, interruption or corruption of these systems or data breaches could have a material adverse effect on our, and consequently New Merck s, business. As previously disclosed, Merck has been proceeding with a multi-year implementation of an enterprise-wide resource planning system, which includes modification to the design, operation and documentation of Merck s internal controls over financial reporting. The planned completion and implementation of the enterprise-wide resource planning systems may be complicated and/or delayed by the integration of Schering-Plough s operations under these systems. Any material problems in the implementation could have a material adverse effect on our, and consequently New Merck s, business.

Risks Relating to Merck and Schering-Plough and the combined company after the merger.

Merck and Schering-Plough are, and will continue to be, and the combined company after consummation of the merger will be, subject to the risks described in (i) Part I, Item 1A in Merck s Annual Report on Form 10-K for the year ended December 31, 2008 filed with the SEC on February 27, 2009, (ii) Part II, Item IA in Merck s Quarterly Report on Form 10-Q for the three months ended March 31, 2009 filed with the SEC on May 4, 2009, (iii) Part I,

Item 1A in Schering-Plough s Annual Report on Form 10-K for the year ended December 31, 2008 filed with the SEC on February 27, 2009 and (iv) Part II, Item IA in Schering-Plough s Quarterly Report for the three months ended March 31, 2009 filed with the SEC on May 1, 2009, in each case as filed with the SEC and incorporated by reference into this joint proxy statement/prospectus. See Where You Can Find More Information beginning on page 157 for the location of information incorporated by reference into this joint proxy statement/prospectus.

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CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING STATEMENTS

This joint proxy statement/prospectus and the documents that are incorporated into this joint proxy statement/prospectus by reference may contain or incorporate by reference statements that do not directly or exclusively relate to historical facts. Such statements are forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. You can typically identify forward-looking statements by the use of forward-looking words, such as may, will, could, project, believe, anticipate, expect, estimate, continu plan, forecast and other similar words. These include, but are not limited to, statements relating to the synergies and the benefits that we expect to achieve in the transaction discussed herein, including future financial and operating results, the combined company s plans, objectives, expectations and intentions and other statements that are not historical facts. Those statements represent our intentions, plans, expectations, assumptions and beliefs about future events and are subject to risks, uncertainties and other factors. Many of those factors are outside the control of Merck and Schering-Plough and could cause actual results to differ materially from the results expressed or implied by those forward-looking statements. In addition to the risk factors described under Risk Factors, those factors include:

- those identified and disclosed in public filings with the SEC made by Merck and Schering-Plough;
- obtaining shareholder approvals required for the Merck merger, the Schering-Plough merger and the issuance of shares of New Merck common stock in connection with the merger;
- satisfying the conditions to the closing of the merger;
- successfully integrating the Merck and Schering-Plough businesses, avoiding problems which may result in the combined company not operating as effectively and efficiently as expected;
- the possibility that the estimated synergies are not realized, or will not be realized within the expected timeframe;
- unexpected costs or unexpected liabilities, or the effects of purchase accounting varying from the companies expectations;
- the risk that funds invested in research will not generate financial returns because the development of novel drugs requires significant expenditure with a low probability of success;
- the actual resulting credit ratings of the companies or their respective subsidiaries;
- the effects on the businesses of the companies resulting from uncertainty surrounding the merger;
- adverse outcomes of pending or threatened litigation or government investigations;
- the effects on the companies of future regulatory or legislative actions;
- conduct and changing circumstances related to third-party relationships on which Merck and Schering-Plough rely for their key products;
- the extremely volatile and unpredictable current stock market and credit market conditions;

market risks from fluctuations in currency exchange rates and interest rates;

variations between the stated assumptions on which forward-looking statements are based and Merck s and Schering-Plough s actual experience; and

other economic, business, and/or competitive factors.

The areas of risk and uncertainty described above should be considered in connection with any written or oral forward-looking statements that may be made after the date of this joint proxy statement/prospectus by Merck or Schering-Plough or anyone acting for any or all of them. Except for their ongoing obligations to disclose material information under the U.S. federal securities laws, neither Merck nor Schering-Plough undertakes any obligation to release publicly any revisions to any forward-looking statements, to report events or circumstances after the date of this joint proxy statement/prospectus or to report the occurrence of unanticipated events.

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THE MERCK SPECIAL MEETING

This section contains information about the special meeting of Merck shareholders (the Merck special meeting) that has been called to consider and approve the merger agreement.

This joint proxy statement/prospectus is being furnished to the shareholders of Merck in connection with the solicitation of proxies by Merck s board of directors for use at the Merck special meeting. Merck is first mailing this joint proxy statement/prospectus and accompanying proxy card to its shareholders on or about [ ], 2009.

Date, Time and Place of the Special Meeting

The shareholders of Merck will hold a special meeting on August 7, 2009 at 8:30 a.m., local time, at the Bridgewater Marriott located at 700 Commons Way, Bridgewater, New Jersey, unless the special meeting is adjourned or postponed.

Purpose of the Special Meeting

At the special meeting, Merck shareholders will be asked to:

- consider and act on a proposal to approve the merger agreement; and
- transact any other business that may properly come before the special meeting or any reconvened meeting following an adjournment or postponement of the special meeting.

Record Date; Outstanding Shares Entitled to Vote

Only shareholders listed on Merck s records at the close of business on June 22, 2009, the record date for the Merck special meeting, are entitled to vote at the special meeting or any adjournments or postponements of the Merck special meeting.

As of [ ], 2009, there were [ ] shares of Merck common stock, par value $0.01 per share, outstanding and entitled to vote at the Merck special meeting.

Ownership of Shares

If your shares are registered directly in your name with Merck s transfer agent, Wells Fargo Bank, N.A., you are considered, with respect to those shares, the shareholder of record. This joint proxy statement/prospectus and the enclosed proxy card have been sent directly to you by Merck.

If your shares are held in a stock brokerage account or by a bank or other nominee, you are considered the beneficial owner of shares held in street name. This joint proxy statement/prospectus has been forwarded to you by your broker, bank or nominee who is considered, with respect to those shares, the shareholder of record. As the beneficial owner of shares held in street name, you have the right to direct your broker, bank or nominee how to vote your shares by using the voting instruction card included in the mailing or by following their instructions for voting by telephone or the Internet.

Quorum

In order to transact business at the Merck special meeting, a quorum of Merck shareholders must be present. A quorum will exist if holders of a majority of the outstanding shares of Merck common stock are present in person, or represented by proxy, at the special meeting. Accordingly, the presence at the Merck special meeting, either in person or by proxy, of holders of at least [ ] shares of Merck common stock will be required to establish a quorum. If a quorum is not present, the Merck special meeting may be adjourned to a later date.

Holders of shares of Merck common stock present in person at the Merck special meeting but not voting, and shares of Merck common stock for which Merck has received proxies indicating that their holders have abstained, will be counted as present at the Merck special meeting for purposes of determining whether a quorum is established.

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A New York Stock Exchange member broker who holds shares in street name for a customer has the authority to vote on certain items if the broker does not receive instructions from the customer. Under the rules that govern brokers who have record ownership of shares that are held in street name for their clients, the beneficial owners of the shares, brokers have discretion to vote these shares on routine matters but not on non-routine matters. The approval of the merger agreement is not considered a routine matter. Accordingly, brokers will not have discretionary voting authority to vote shares of Merck common stock at the Merck special meeting. A broker non-vote occurs when brokers do not have discretionary voting authority and have not received instructions from the beneficial owners of the shares. A broker will not be permitted to vote on the approval of the merger agreement without instruction from the beneficial owner of the shares of Merck common stock held by that broker. Accordingly, shares of Merck common stock beneficially owned that have been designated on proxy cards by the broker, bank or nominee as not voted (broker non-vote) will not be counted as votes cast for or against the proposal to approve the merger agreement. These broker non-votes will, however, be counted for purposes of determining whether a quorum exists at the Merck special meeting.

Vote Required

Provided a quorum of shareholders is present in person or by proxy at the Merck special meeting, in order to approve the merger agreement, a majority of the votes cast at the special meeting must be cast in favor of the proposal to approve the merger agreement. Abstentions and broker non-votes will have no impact on the outcome of the voting.

Recommendation of Merck s Board of Directors

Merck s board of directors unanimously determined that the merger agreement is advisable, fair and in the best interests of Merck and its shareholders and unanimously approved the merger agreement. The Merck board of directors unanimously recommends that Merck shareholders vote **FOR** the proposal to approve the merger agreement. See The Transaction Merck s Reasons for the Transaction and Recommendation of Merck s Board of Directors beginning at page 59.

Merck shareholders should carefully read this joint proxy statement/prospectus in its entirety for more detailed information concerning the merger agreement and the proposed transaction. In addition, Merck shareholders are directed to the merger agreement, which is attached as Annex A to this joint proxy statement/prospectus.

Voting by Merck s Directors and Executive Officers

As of [ ], 2009, Merck s directors and executive officers and certain of their affiliates beneficially owned [ ] shares of Merck common stock entitled to vote at the Merck special meeting. This represents less than 1% of the total votes entitled to be cast at the Merck special meeting. Each Merck director and executive officer and certain of their affiliates has indicated his or her present intention to vote, or cause to be voted, the shares of Merck common stock owned by him or her for the approval of the merger agreement. As of [ ], 2009, Schering-Plough beneficially owned [ ] shares of Merck common stock entitled to vote at the Merck special meeting. This represents approximately [ ]% of the total votes entitled to be cast at the Merck special meeting.

How to Vote

There are several ways for Merck shareholders to vote:

Mail. You can vote by mail by completing, signing, dating and mailing your proxy card or voting instruction card in the postage-paid envelope included with this joint proxy statement/prospectus.

Telephone. If you are a shareholder of record of Merck, you can vote by telephone by calling the toll-free number **[800-690-6903]** on a touch-tone phone. You will then be prompted to enter the control number printed on your proxy card and to follow subsequent instructions. Telephone voting is available 24 hours a day. If you vote by telephone, do not return your proxy card. The availability of telephone voting for beneficial

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owners will depend on the voting process of your broker, bank or nominee. Therefore, Merck recommends that you follow the voting instructions in the materials you receive.

Internet. If you are a shareholder of record of Merck, you can vote over the Internet by accessing the website at **[www.proxyvote.com]** and following the instructions on your proxy card and the website. Internet voting is available 24 hours a day. If you vote over the Internet, do not return your proxy card. The availability of Internet voting for beneficial owners will depend on the voting process of your broker, bank or nominee. Therefore, Merck recommends that you follow the voting instructions in the materials you receive.

In Person. In addition, all Merck shareholders as of the record date may attend the Merck special meeting and vote in person. You may also be represented by another person at the meeting by executing a proper proxy designating that person. If you are a beneficial owner of shares held in street name, you must obtain a legal proxy from your broker, bank or nominee and present it to the inspectors of election with your ballot when you vote at the meeting.

Attending the Special Meeting

All Merck shareholders as of the close of business on the record date may attend the Merck special meeting but must have an admission ticket. If you are a shareholder of record, the ticket attached to the proxy card will admit you and one guest. If you are a beneficial owner of Merck shares, you may request a ticket by writing to the Office of the Secretary, WS 3AB-05, Merck & Co., Inc., P.O. Box 100, Whitehouse Station, New Jersey 08889-0100 or by faxing your request to 908-735-1224. You must provide evidence of your ownership of shares with your ticket request, which you can obtain from your broker, bank or nominee. Merck encourages you or your broker to fax your ticket request and proof of ownership in order to avoid any mail delays.

Voting of Proxies

If you vote by Internet, by telephone or by completing, signing, dating and mailing your proxy card or voting instruction card, your shares will be voted in accordance with your instructions. If you are a shareholder of record and you sign, date and return your proxy card but do not indicate how you want to vote or do not indicate that you wish to abstain, your shares will be voted **FOR** the approval of the merger agreement.

Revoking Your Proxy

If you are a shareholder of record, you may revoke your proxy at any time before it is voted at the special meeting by:

- sending a signed notice of revocation to the Secretary of Merck;
- submitting a revised proxy bearing a later date by mail, Internet or telephone; or
- attending the special meeting and voting in person, which will automatically cancel any proxy previously given, or revoking your proxy in person. Your attendance alone will not revoke any proxy that you have previously given.

If you choose either of the first two methods, you must submit your notice of revocation or your new proxy no later than the beginning of the special meeting. If you are a beneficial owner of shares of Merck common stock, you may submit new voting instructions by contacting your broker, bank or nominee. You may also vote in person at the special meeting if you obtain a legal proxy from your broker, bank or nominee and present it to the inspectors of election with your ballot when you vote at the special meeting.

Merck 401(k) Plan Participants

If you are a participant in the Merck & Co., Inc. Employee Savings and Security Plan, Merck & Co., Inc. Employee Stock Purchase and Savings Plan, Hubbard LLC Employee Savings Plan, Merck Puerto Rico Employee Savings and Security Plan, Merck Frosst Canada Inc. Stock Purchase Plan (Merck Frosst Plan) or Merial 401(k) Savings Plan (Merial Plan), you will receive separate proxy voting instruction cards from the

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plan trustees and you have the right to provide voting directions to the plan trustee by submitting your voting instruction card for those shares of Merck common stock that are held by your plan and allocated to your plan account.

If voting instructions are not received from participants in the Merck Frosst Plan, the plan trustee will vote the shares in accordance with the recommendations of the Merck board of directors.

If voting instructions are not received from participants in the Merial Plan, the plan trustee will vote the shares in the same proportion as it votes shares for which voting instructions are received from plan participants.

If voting instructions are not received from participants in the plans other than the Merck Frosst Plan and the Merial Plan mentioned above, trustees for the other plans will not vote shares for which voting instructions have not been received from plan participants.

Shareholders Sharing an Address

Consistent with notices sent to record shareholders sharing a single address, Merck is sending only one copy of this joint proxy statement/prospectus to that address unless Merck received contrary instructions from any shareholder at that address. This householding practice reduces Merck s printing and postage costs. Shareholders may request to discontinue householding, or may request a separate copy of this joint proxy statement/prospectus by one of the following methods:

record shareholders wishing to discontinue or begin householding, or any record shareholder residing at a household address wanting to request delivery of a copy of this joint proxy statement/prospectus should contact Merck Stockholder Services, WS3AB-40, P.O. Box 100, Whitehouse Station, NJ 08889-0100 or by calling our toll-free number 1-877-602-7615; and

shareholders owning their shares through a bank, broker or other holder of record who wish to either discontinue or begin householding should contact their record holder.

Proxy Solicitations

Merck is soliciting proxies for the special meeting from Merck shareholders. Merck will bear the entire cost of soliciting proxies from Merck shareholders, except that Merck and Schering-Plough will share equally the expenses incurred in connection with the printing and mailing of this joint proxy statement/prospectus. In addition to this mailing, Merck s directors, officers and employees (who will not receive any additional compensation for such services) may solicit proxies by telephone or in-person meeting.

Merck has also engaged the services of Laurel Hill Advisory Group, LLC to assist in the distribution of this joint proxy statement/prospectus and the solicitation of proxies, for a fee of $23,000 plus reasonable out-of-pocket expenses.

Merck will reimburse brokerage houses and other custodians, nominees and fiduciaries for their reasonable out-of-pocket expenses for forwarding proxy and solicitation materials to the beneficial owners of Merck common stock.

Other Business

Merck s board of directors is not aware of any other business to be acted upon at the special meeting.

THE SCHERING-PLOUGH SPECIAL MEETING

This section contains information about the special meeting of Schering-Plough shareholders (the Schering-Plough special meeting) that has been called to consider and approve the merger agreement and the issuance of shares of common stock in the merger.

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This joint proxy statement/prospectus is being furnished to the shareholders of Schering-Plough in connection with the solicitation of proxies by Schering-Plough s board of directors for use at the special meeting. Schering-Plough is first mailing this joint proxy statement/prospectus and accompanying proxy card to its shareholders on or about [ ], 2009.

Date, Time and Place of the Special Meeting

A special meeting of the shareholders of Schering-Plough will be held at The Conference Center at Harvard Medical, 77 Avenue Louis Pasteur, Boston, MA on Friday, August 7, 2009 at 1:30 p.m., local time, unless the special meeting is adjourned or postponed. Directions to The Conference Center at Harvard Medical are available at http://www.theconfcenter.hms.harvard.edu/directions.

Purpose of the Special Meeting

At the special meeting, Schering-Plough shareholders will be asked to:

- consider and act on a proposal to approve the merger agreement and the issuance of shares of common stock in the merger contemplated by the merger agreement;
- approve the adjournment of the Schering-Plough Special Meeting (including, if necessary, to solicit additional proxies if there are not sufficient votes to approve the merger agreement and the issuance of shares of common stock in the merger); and
- transact any other business that may properly come before the special meeting or any reconvened meeting following an adjournment or postponement of the special meeting.

Record Date; Outstanding Shares Entitled to Vote

Only holders of record of shares of Schering-Plough common stock at the close of business on June 22, 2009, the record date for the special meeting, will be entitled to vote shares held at that date at the Schering-Plough special meeting or any adjournments or postponements thereof. Each outstanding share of Schering-Plough common stock entitles its holder to cast one vote.

As of [ ], 2009, there were [ ] shares of Schering-Plough common stock par value $.50 per share, outstanding and entitled to vote at the Schering-Plough special meeting.

Ownership of Shares

If your shares are registered directly in your name with Schering-Plough s transfer agent, BNY Mellon, you are considered, with respect to those shares, the shareholder of record. This joint proxy statement/prospectus and the enclosed proxy card have been sent directly to you by Schering-Plough.

If your shares are held in a stock brokerage account or by a bank or other nominee, you are considered the beneficial owner of shares held in street name. This joint proxy statement/prospectus has been forwarded to you by your broker, bank or nominee who is considered, with respect to those shares, the shareholder of record. As the beneficial owner of shares held in street name, you have the right to direct your broker, bank or nominee how to vote your shares by using the voting instruction card included in the mailing or by following their instructions for voting by telephone or the Internet.

Quorum

In order to transact business at the special meeting, a quorum of Schering-Plough shareholders must be present. A quorum will exist if holders of a majority of shares of Schering-Plough common stock outstanding on the record date are present in person, or represented by proxy, at the meeting. Accordingly, the presence at the meeting, either in person or by proxy, of holders of at least [ ] shares of Schering-Plough common stock will be required to establish a quorum.

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Holders of shares of Schering-Plough common stock present in person at the meeting but not voting, and shares of Schering-Plough common stock for which Schering-Plough has received proxies indicating that their holders have abstained, will be counted as present at the meeting for purposes of determining whether a quorum is established.

A New York Stock Exchange member broker who holds shares in street name for a customer has the authority to vote on certain items if the broker does not receive instructions from the customer. Under the rules that govern brokers who have record ownership of shares that are held in street name for their clients, the beneficial owners of the shares, brokers have discretion to vote these shares on routine matters but not on non-routine matters. The approval of the merger agreement and the issuance of shares of common stock in the merger, are not considered routine matters. Accordingly, brokers will not have discretionary voting authority to vote your shares at the Schering-Plough special meeting. A broker non-vote occurs when brokers do not have discretionary voting authority and have not received instructions from the beneficial owners of the shares. A broker will not be permitted to vote on the approval of the merger agreement without instruction from the beneficial owner of the shares of Schering-Plough common stock held by that broker. Accordingly, shares of Schering-Plough common stock beneficially owned that have been designated on proxy cards by the broker, bank or nominee as not voted (broker non-vote) will not be counted as votes cast for or against the proposal to approve the merger agreement and the issuance of shares of common stock in the merger. These broker non-votes will, however, be counted for purposes of determining whether a quorum exists at the special meeting.

Vote Required

Provided a quorum of shareholders is present in person or by proxy at the special meeting, in order to approve the merger agreement and the issuance of shares of common stock in the merger contemplated by the merger agreement, (1) holders of a majority of the outstanding shares of Schering-Plough common stock must vote at the special meeting with respect to the proposal to approve the merger agreement and the issuance of shares of common stock in the merger contemplated by the merger agreement and (2) a majority of the votes cast at the special meeting must be cast in favor of the proposal to approve the merger agreement and the issuance of shares of common stock in the merger contemplated by the merger agreement.

Abstentions and broker non-votes may impact whether the issuance of the shares of common stock necessary to complete the merger is properly approved for purposes of NYSE rules applicable to Schering-Plough which require that at least a majority of the Schering-Plough shares entitled to vote on the proposal to approve the merger agreement are actually cast for or against the proposal. However, any shares not voted as a result of an abstention or a broker non-vote will not be counted as voting for or against a particular matter. Accordingly, except as relates to the approval of shares for issuance, abstentions and broker non-votes will have no effect on the outcome of a vote.

Regardless of whether or not a quorum of shareholders is present in person or by proxy at the special meeting, in order to approve any proposal to adjourn the meeting to solicit additional proxies, holders of a majority of the shares of Schering-Plough common stock who are present at the special meeting must vote in favor of the proposal to adjourn the meeting.

Recommendation of Schering-Plough s Board of Directors

Schering-Plough s board of directors unanimously determined that the merger agreement and the issuance of shares of common stock in the merger are fair to and in the best interests of Schering-Plough and its shareholders and unanimously approved the merger agreement and the transactions contemplated thereby. The Schering-Plough board of directors unanimously recommends that Schering-Plough shareholders vote **FOR** the proposal to approve the merger agreement and the issuance of shares of common stock in the merger contemplated by the merger agreement. See The Transaction Schering-Plough s Reasons for the Transaction and Recommendation of Schering-Plough s Board

of Directors beginning at page 70.

Schering-Plough shareholders should carefully read this joint proxy statement/prospectus in its entirety for more detailed information concerning the merger agreement and the proposed transactions. In addition, Schering-Plough shareholders are directed to the merger agreement, which is attached as Annex A to this joint proxy statement/prospectus.

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Voting by Schering-Plough s Directors and Executive Officers

As of [ ], 2009, Schering-Plough s directors and executive officers and certain of their affiliates beneficially owned [ ] shares of Schering-Plough common stock entitled to vote at the Schering-Plough special meeting. This represents less than 1% of the total votes entitled to be cast at the Schering-Plough special meeting. Each Schering-Plough director and executive officer and certain of their affiliates has indicated his or her present intention to vote, or cause to be voted, the shares of Schering-Plough common stock owned by him or her for the approval of the merger agreement and the issuance of shares of common stock in the merger contemplated by the merger agreement. As of [ ], 2009, Merck beneficially owned [ ] shares of Schering-Plough common stock entitled to vote at the Schering-Plough special meeting. This represents approximately [ ]% of the total votes entitled to be cast at the Schering-Plough special meeting.

How to Vote

There are several ways for Schering-Plough shareholders to vote:

Mail. You can vote by mail by completing, signing, dating and mailing your proxy card or voting instruction card in the postage-paid envelope included with this joint proxy statement/prospectus.

Vote by Telephone or Internet. If you are a shareholder of record (that is, if you hold your shares in your own name), you may vote by telephone (toll free) or the Internet by following the instructions on your proxy and voting instruction card. If your shares are held in the name of a bank, broker or other holder of record (that is, in street name), and if the bank or broker offers telephone and Internet voting, you will receive instructions from them that you must follow in order for your shares to be voted. If you vote by telephone or the Internet, you do not need to return your proxy and voting instruction card.

In Person. You may vote in person at the Schering-Plough special meeting. You may also be represented by another person at the meeting by executing a proper proxy designating that person. If you are a beneficial owner of shares held in street name, you must obtain a legal proxy from your broker, bank or nominee and present it to the inspectors of election with your ballot when you vote at the meeting. Even if you plan to attend the meeting, Schering-Plough recommends that you vote in advance of the meeting. You may vote in advance of the meeting by any of the methods above.

Attending the Special Meeting

All Schering-Plough shareholders as of the record date may attend the Schering-Plough special meeting with an admission ticket and a photo identification. To get an admission ticket, Schering-Plough shareholders must write to Schering-Plough s transfer agent, BNY Mellon, using the following address:

BNY Mellon Shareowner Services
480 Washington Boulevard
29th Floor
Jersey City, NJ 07310
Attn: Ann-Marie Webb

If you are a record shareholder (your shares are held in your name), you must list your name exactly as it appears on your stock ownership records from BNY Mellon. If you hold shares through a bank, broker or trustee, you must also

include a copy of your latest bank or broker statement showing your ownership.

Voting of Proxies

If you vote by Internet, by telephone or by completing, signing, dating and mailing your proxy card or voting instruction card, your shares will be voted in accordance with your instructions. If you are a shareholder of record and you sign, date and return your proxy card but do not indicate how you want to vote or do not indicate that you wish to abstain, your shares will be voted **FOR** the approval of the merger agreement and the issuance of shares of common stock in the merger contemplated by the merger agreement.

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Revoking Your Proxy

If you are a shareholder of record, you may revoke your proxy at any time before it is voted at the special meeting by:

- sending a signed notice of revocation to the Corporate Secretary of Schering-Plough;
- submitting a revised proxy bearing a later date by mail, Internet or telephone; or
- attending the special meeting and voting in person, which will automatically cancel any proxy previously given, or giving written notice of revocation to the Corporate Secretary before the proxy is voted at the special meeting. Your attendance alone will not revoke any proxy that you have previously given.

If you choose either of the first two methods, you must submit your notice of revocation or your new proxy no later than the beginning of the special meeting. If you are a beneficial owner of shares of Schering-Plough common stock, you may submit new voting instructions by contacting your broker, bank or nominee. You may also vote in person at the special meeting if you obtain a legal proxy from your broker, bank or nominee and present it to the inspectors of election with your ballot when you vote at the special meeting.

Schering-Plough Employee Savings Plan Participants

If you are a current or former Schering-Plough employee with shares of Schering-Plough common stock credited to an account under the Schering-Plough Employees Savings Plan or the Schering-Plough Puerto Rico Employees Retirement Savings Plan, you will receive a proxy and voting instruction card.

If you do not give voting instructions to the plan trustee by mailing your proxy and voting instruction card or voting by Internet or telephone, the plan trustee will vote shares you hold in the Employees Savings Plan or in the Puerto Rico Employees Savings Plan in the same proportion as shares held in that plan for which voting instructions were timely received. To allow sufficient time for the plan trustee to vote your shares under either plan, your voting instructions must be received by 5:00 p.m. (Eastern Time) on Tuesday, August 4, 2009.

Shareholders Sharing an Address

Consistent with notices sent to record shareholders sharing a single address, Schering-Plough is sending only one copy of this joint proxy statement/prospectus to that address unless Schering-Plough received contrary instructions from any shareholder at that address. This householding practice reduces Schering-Plough s printing and postage costs. Shareholders may request to discontinue householding, or may request a separate copy of this joint proxy statement/prospectus by one of the following methods:

- record shareholders wishing to discontinue or begin householding, or any record shareholder residing at a household address wanting to request delivery of a copy of this joint proxy statement/prospectus should contact Schering-Plough s transfer agent, BNY Mellon, at 877-429-1240 (U.S.), 201-680-6685 (outside of the U.S.) or www.bnymellon.com/shareowner/isd or may write to them at Schering-Plough Corporation, c/o BNY Mellon Shareowner Services, P.O. Box 358015, Pittsburgh, Pennsylvania 15252-8015; and
- shareholders owning their shares through a bank, broker or other holder of record who wish to either discontinue or begin householding should contact their record holder. Any shareholder in the household may request prompt delivery of a copy of this joint proxy statement/prospectus by contacting Schering-Plough at

908-298-3636 or may write to Schering-Plough at Office of the Corporate Secretary, Schering-Plough Corporation, 2000 Galloping Hill Road, Mail Stop: K-1-4-4525, Kenilworth, New Jersey 07033.

Proxy Solicitations

Schering-Plough has retained Georgeson Shareholder Communications, Inc. to solicit proxies for the special meeting from Schering-Plough shareholders for a fee of $30,000 plus reasonable out-of-pocket

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expenses. Schering-Plough will bear the entire cost of soliciting proxies from Schering-Plough shareholders, except that Merck and Schering-Plough will share equally the expenses incurred in connection with the printing and mailing of this joint proxy statement/prospectus. In addition to this mailing, Schering-Plough s directors, officers and employees (who will not receive any additional compensation for such services) may solicit proxies. Solicitation of proxies will be undertaken through the mail, in person, by telephone, the Internet, and videoconference.

Schering-Plough will reimburse brokerage houses and other custodians, nominees and fiduciaries for their reasonable out-of-pocket expenses for forwarding proxy and solicitation materials to the beneficial owners of Schering-Plough common stock.

Other Business

Schering-Plough s board of directors is not aware of any other business to be acted upon at the special meeting.

THE PARTIES TO THE MERGER AGREEMENT

Merck & Co., Inc.

One Merck Drive
Whitehouse Station, NJ 08889
Telephone: (908) 423-1000

Merck, a New Jersey corporation, is a global research-driven pharmaceutical company that discovers, develops, manufactures and markets a broad range of innovative products to improve human and animal health. Merck products are sold in over 140 countries, in the Americas, Europe, Asia-Pacific, Middle East and Africa. Merck operates manufacturing facilities at sites in 25 countries. Merck has production facilities for human health products at seven locations in the United States and Puerto Rico and, through subsidiaries, owns or has an interest in manufacturing plants or other properties in Australia, Canada, Japan, Singapore, South Africa, and other countries in Western Europe, Central and South America and Asia.

Merck s operations are principally managed on a products basis and are comprised of two reportable segments: the pharmaceutical segment and the vaccines and infectious diseases segment. The pharmaceutical segment includes products consisting of therapeutic and preventive agents, sold by prescription, for the treatment of human disorders and sold by Merck primarily to drug wholesalers and retailers, hospitals, government agencies and managed healthcare providers such as health maintenance organizations, pharmacy benefit managers and other institutions. In 2008, Merck recorded $19.4 billion of revenues in its pharmaceutical segment. The vaccines and infectious diseases segment includes human health vaccine products consisting of preventative pediatric, adolescent and adult vaccines, primarily administered at physician offices, and infectious disease products consisting of therapeutic agents for the treatment of infection sold primarily to drug wholesalers and retailers, hospitals and government agencies. In 2008, Merck recorded $4.2 billion of revenues in its vaccines and infectious diseases segment.

Merck common stock (NYSE: MRK) is listed on the NYSE.

Additional information about Merck and its subsidiaries is included in the documents incorporated by reference into this joint proxy statement/prospectus. See Where You Can Find More Information on page 157.

Schering-Plough Corporation

2000 Galloping Hill Road
Mailstop K-1-4525
Kenilworth, NJ 07033
Telephone: (908) 298-4000

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Schering-Plough, a New Jersey corporation, is an innovation-driven, science-centered global health care company. Currently, Schering-Plough has business operations in more than 140 countries. Through its own biopharmaceutical research and collaborations with partners, Schering-Plough creates therapies that help save and improve lives around the world. Schering-Plough applies its research and development platform to prescription pharmaceuticals, animal health, and consumer health care products. The prescription pharmaceuticals segment discovers, develops, manufactures and markets human pharmaceutical products. Within the prescription pharmaceuticals segment, Schering-Plough has a broad range of research projects and marketed products in six therapeutic areas: cardiovascular, central nervous system, immunology and infectious disease, oncology, respiratory and women s health. The animal health segment discovers, develops, manufactures and markets animal health products, including vaccines. The consumer health care segment develops, manufactures and markets over-the-counter (OTC), footcare and sun care products.

Schering-Plough common stock (NYSE: SGP) is listed on the NYSE.

Additional information about Schering-Plough and its subsidiaries is included in the documents incorporated by reference into this joint proxy statement/prospectus. See Where You Can Find More Information on page 157.

SP Merger Subsidiary One, Inc.

2000 Galloping Hill Road
Mailstop K-1-4525
Kenilworth, NJ 07033
Telephone: (908) 298-4000

SP Merger Subsidiary One, Inc., formerly known as Blue, Inc. and which is sometimes referred to in this joint proxy statement/prospectus as Merger Sub 1, is a wholly owned subsidiary of Schering-Plough formed solely for the purpose of executing the Schering-Plough merger. Merger Sub 1 has not carried on any activities or operations to date, except for those activities incidental to its formation and undertaken in connection with the transactions contemplated by the merger agreement. By operation of the Schering-Plough merger, Merger Sub 1 will be merged into Schering-Plough, Merger Sub 1 s separate existence will cease, and Schering-Plough will be the surviving corporation upon completion of the Schering-Plough merger.

SP Merger Subsidiary Two, Inc.

2000 Galloping Hill Road
Mailstop K-1-4525
Kenilworth, NJ 07033
Telephone: (908) 298-4000

SP Merger Subsidiary Two, Inc., formerly known as Purple, Inc. and which is sometimes referred to in this joint proxy statement/prospectus as Merger Sub 2, is a wholly owned subsidiary of Schering-Plough formed solely for the purpose of executing the Merck merger. Merger Sub 2 has not carried on any activities or operations to date, except for those activities incidental to its formation and undertaken in connection with the transactions contemplated by the merger agreement. By operation of the Merck merger, Merger Sub 2 will be merged into Merck, Merger Sub 2 s separate existence will cease and Merck will continue as a direct wholly owned subsidiary of the corporation that survives the Schering-Plough merger.

THE TRANSACTION

The following is a description of certain material aspects of the transaction. While we believe that the following description covers the material terms of the transaction, the description may not contain all of the information that may be important to you. The discussion of the transaction in this joint proxy statement/prospectus is qualified in its entirety by reference to the merger agreement. The merger agreement is attached to this joint proxy statement/prospectus as Annex A for purposes of providing you with information regarding its terms, and is incorporated by reference into this document. It is not intended to provide any other factual information about

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either Merck or Schering-Plough. We encourage you to read carefully this entire joint proxy statement/prospectus, including the merger agreement, for a more complete understanding of the transaction.

General Description of the Transaction

On March 8, 2009, the boards of directors of Merck and Schering-Plough approved the merger agreement, which provides for the combination of Merck and Schering-Plough through two successive mergers. In the Schering-Plough merger, SP Merger Subsidiary One, Inc., a newly formed and wholly owned subsidiary of Schering-Plough will be merged with and into Schering-Plough, after which SP Merger Subsidiary One, Inc. will cease to exist and Schering-Plough will be the surviving corporation, be renamed Merck & Co., Inc., referred to as New Merck in this joint proxy statement/prospectus, and remain the publicly listed ultimate parent of the combined company. In the Merck merger, SP Merger Subsidiary Two, Inc., a newly formed and wholly owned subsidiary of Schering-Plough will be merged with and into Merck, after which SP Merger Subsidiary Two, Inc. will cease to exist and Merck will continue as the surviving corporation in that merger and will become a wholly owned subsidiary of New Merck.

Upon completion of the Schering-Plough merger, each share of Schering-Plough common stock will be converted into the right to receive $10.50 in cash, without interest, and 0.5767 of a share of New Merck common stock (other than shares of Schering-Plough common stock held by a wholly owned subsidiary of Schering-Plough that will be converted solely into common stock of New Merck as contemplated by the merger agreement). Upon completion of the Merck merger, each share of Merck common stock will automatically be converted into one share of New Merck common stock. Schering-Plough shareholders will not receive any fractional shares of New Merck common stock in the Schering-Plough merger. Instead, a cash payment will be made to such shareholders as described more fully in the section of this joint proxy statement/prospectus entitled The Merger Agreement Merger Consideration beginning on page 101.

Based upon the closing price of Merck common stock on the NYSE on March 6, 2009, the last trading day before the announcement of the signing of the merger agreement, the aggregate consideration payable to the Schering-Plough shareholders in the Schering-Plough merger had a value of approximately $41.1 billion. We expect that, immediately after the merger, the former shareholders of Merck and Schering-Plough will own approximately 68% and 32%, respectively, of New Merck s outstanding common stock.

At the Merck special meeting of shareholders, the holders of Merck common stock will be asked to vote upon a proposal to approve the merger agreement and thereby approve the Merck merger.

At the Schering-Plough special meeting of shareholders, holders of Schering-Plough common stock will be asked to vote upon a proposal to approve the merger agreement and thereby approve the Schering-Plough merger and the issuance of shares of common stock required to complete the Merck merger.

Background of the Transaction

Over several months beginning in June 2008, in light of the economic and regulatory landscape and trends in the pharmaceutical industry, Merck senior management engaged in an extensive review of strategic alternatives for its business, including mergers and strategic combinations with numerous companies of different sizes and having a variety of business models. These strategic alternatives were reviewed by Merck s board of directors at regularly scheduled board meetings held in July, September, October and November of 2008.

In early December 2008, Mr. Bruce Kuhlik, Executive Vice President and General Counsel of Merck, contacted Mr. Thomas J. Sabatino, Jr., Executive Vice President and General Counsel of Schering-Plough, and stated that Mr. Richard Clark, Chairman, President and Chief Executive Officer of Merck, wished to meet with Mr. Fred Hassan,

Chairman and Chief Executive Officer of Schering-Plough, to discuss strategic options relating to the two companies. After Mr. Kuhlik and Mr. Sabatino agreed upon a limited waiver of a pre-existing standstill to allow the discussion, on December 5, Mr. Clark and Mr. Kuhlik met with Mr. Hassan and Mr. Sabatino. In that meeting, Mr. Clark and Mr. Hassan discussed the changing economic and regulatory environment and Mr. Clark generally outlined Merck s views of strategies and opportunities to address the

evolving environment and industry trends. Mr. Clark indicated that Merck s management and board believed that a business combination merited serious consideration for Merck, that Schering-Plough appeared to be an excellent fit and that a compelling combination between the two companies could be constructed. Mr. Hassan thanked Mr. Clark and noted that Schering-Plough was not for sale, and that, based on recent thorough consideration of strategic direction, both senior management and the board were confident in the prospects of Schering-Plough as a standalone company. Mr. Hassan agreed, however, to discuss Mr. Clark s statements with the Schering-Plough board.

Following that meeting, Schering-Plough retained the law firm of Wachtell, Lipton, Rosen & Katz to provide legal counsel in connection with the discussion. In anticipation of a proposal from Merck, Schering-Plough requested that Wachtell Lipton review the applicable charter, bylaws, and other material documents that might be implicated by a transaction. Schering-Plough also retained Goldman, Sachs & Co. as its financial advisor and requested that it analyze the financial prospects of the company, and the broader industry dynamics, in preparation for a potential proposal from Merck for a business combination of the two companies.

On December 10, 2008, the Schering-Plough board held a special meeting, with representatives of Goldman Sachs and Wachtell Lipton in attendance. At the meeting, the board discussed the company s financial position and operational strategy and discussed the current economic and regulatory environment, as well as the overall industry landscape and trends in the industry. The Schering-Plough board discussed the prospects for Schering-Plough in light of these overall trends, and considered the circumstances under which a business combination with Merck, or other third parties, might be in the best interests of Schering-Plough s shareholders. The board reiterated its conclusion from its annual comprehensive consideration of strategic direction: the prospects of Schering-Plough on a standalone basis were promising, even in light of the current environment, and Schering-Plough had the strength to build long-term shareholder value without a major strategic combination. The Schering-Plough board also discussed whether other companies in addition to Merck might contemplate a proposal for a business combination with Schering-Plough. Wachtell Lipton reviewed with the Schering-Plough board the fiduciary duties of directors in the context of considering a potential proposal for a business combination with Merck. In the December 10, 2008 meeting, the Schering-Plough board also discussed with its legal advisors their views as to the potential impacts of a business combination with Merck on the company s key collaborations. The board indicated that it was comfortable with Mr. Hassan continuing to learn what Merck might propose in terms of a strategic combination.

On December 11, 2008, Mr. Kuhlik and Mr. Sabatino spoke by telephone about the reaction of the Schering-Plough board to a possible combination of the companies. Following that discussion, Merck retained J.P. Morgan as its financial advisor to assist it in its preparation of a potential proposal for a combination with Schering-Plough. Merck also consulted the law firm Fried, Frank, Harris, Shriver & Jacobson LLP, its legal counsel retained in connection with Merck s consideration of a potential combination with Schering-Plough.

On December 15, 2008, Mr. Hassan and Mr. Clark spoke by telephone. Mr. Hassan emphasized again that Schering-Plough was not seeking a strategic transaction, and that Schering-Plough was confident in its prospects on a standalone basis. The two chief executive officers discussed general industry trends as well as the possibility of further industry consolidation, in addition to each of the companies prospects and the possibility of and potential benefits from a business combination between the two companies, but did not discuss the specific terms of any potential combination.

Later that evening at a regularly scheduled board-only dinner, Mr. Clark updated the members of the Merck board regarding his earlier call with Mr. Hassan and the board generally discussed, among other things, the potential combination with Schering-Plough.

On December 16, 2008 at a regularly scheduled meeting of the Merck board, Mr. Clark and members of Merck s senior management discussed with the board possible next steps in connection with the potential combination with

Schering-Plough. After the meeting, Mr. Kuhlik contacted Mr. Sabatino to express a desire for Merck s outside legal counsel to meet with Schering-Plough s outside legal counsel to discuss a potential transaction. Mr. Sabatino responded that, prior to taking any steps toward a potential transaction, Schering-Plough would need to be comfortable that Merck could present a compelling proposal for a business combination, emphasizing again that Schering-Plough was confident in its prospects on a standalone basis and

that the company was not seeking a combination transaction. Mr. Kuhlik said that Mr. Clark would be in contact with Mr. Hassan.

On December 19, 2008, Mr. Clark contacted Mr. Hassan. Mr. Clark reiterated that Merck s board supported exploring a potential transaction with Schering-Plough and discussed with Mr. Hassan the possibility of a meeting between the financial advisors for the two companies to attempt to assess the appropriate valuation of Schering-Plough and the potential benefits of a business combination and to discuss other financial aspects of a potential transaction. Mr. Hassan reiterated that any such step would occur only after, and if, it was clear that Merck could present a compelling proposal for a combination with Schering-Plough that would be in the best interests of Schering-Plough s shareholders. Mr. Clark responded that, although he believed that a meeting between financial advisors would be helpful, Merck was in the process of evaluating a combination with Schering-Plough and could soon be in a position to present a preliminary proposal based on publicly available information, if necessary. Mr. Clark and Mr. Hassan discussed an appropriate time for their next meeting, and determined to meet the following week. Mr. Hassan contacted Mr. Clark soon after to propose that the two meet instead on January 5, 2009, to enable Merck s financial advisors ample time to complete their financial analysis. Mr. Clark agreed.

On December 23, 2008, the Merck board held a special meeting via teleconference at which Mr. Clark updated the board on his conversation with Mr. Hassan. At the meeting, members of Merck s senior management, representatives of J.P. Morgan and representatives of Fried Frank discussed with the board various considerations in connection with a potential combination with Schering-Plough. In addition, representatives of Fried Frank reviewed the fiduciary duties of the board in the context of a potential business combination with Schering-Plough. At this meeting, the board authorized Mr. Clark to make a preliminary non-binding proposal for a business combination with Schering-Plough.

On January 5, 2009, Mr. Clark and Mr. Hassan met. Mr. Clark indicated that, based only on publicly available information, Merck would be prepared to propose a combination transaction in which Schering-Plough s shareholders would receive cash and stock having a total value in the range of $21.50 to $22.50 per share of Schering-Plough stock, which he noted was an approximate 30 percent premium to a recent trading range and compared well with the premiums associated with other similar transactions. Mr. Clark indicated that, in Merck s contemplated transaction, Schering-Plough s shareholders would receive merger consideration comprised of approximately 40-50 percent cash, with the remainder in common stock of the combined company. Mr. Clark stated that he believed that Merck s due diligence on Schering-Plough would require approximately two weeks and that Schering-Plough would have the opportunity to conduct due diligence on Merck during that time. Mr. Hassan responded that the range was below the value that Schering-Plough ascribed to the company, based on preliminary analysis by Goldman Sachs. In response, Mr. Clark suggested that the companies financial advisors meet to understand more fully the details and the underlying assumptions of Merck s proposal and Schering-Plough s own views of valuation and potential benefits in a combination of the companies.

On January 7, 2009, representatives of Goldman Sachs and J.P. Morgan met to discuss Merck s valuation of Schering-Plough. J.P. Morgan clarified details of the proposal and described the methodology and assumptions underlying the $21.50-$22.50 valuation, including, among other things, the estimates of the potential synergies and other benefits that might be available in a combination of Merck and Schering-Plough based on synergy levels achieved in precedent mergers in the pharmaceutical industry. Goldman Sachs noted that Merck s estimate of potential synergies was low based on publicly available information. In the meeting, J.P. Morgan noted that Merck might have a basis to increase its views of valuation and potential synergies if Merck were provided with additional information relating to Schering-Plough s early stage pipeline and key collaborations.

On January 9, 2009, the Schering-Plough board held a telephonic update, with representatives of Goldman Sachs and Wachtell Lipton participating. The board discussed the initial value indication from Merck with its senior management and financial advisors, and concluded that the indication was insufficient and not a basis to proceed with

the diligence process that Mr. Clark had proposed. After consultation with senior management and Schering-Plough s financial and legal advisors, the board directed Mr. Hassan to inform Merck that the

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board was not prepared to proceed with full due diligence based on the indicated valuation, but that Mr. Hassan could authorize a further meeting between key officers regarding valuation and potential synergies, including the chief financial officer of Schering-Plough, Mr. Robert Bertolini, and the chief financial officer of Merck, Mr. Peter Kellogg, along with the companies financial advisors, as had been suggested by Mr. Clark. The board also authorized a meeting, if Mr. Hassan deemed it appropriate, to provide Merck with additional information, including information about the early stage pipeline, as had been requested by Mr. Clark. After the Schering-Plough board meeting, Mr. Sabatino contacted Mr. Kuhlik to inform him that the board had determined that it would not proceed with full due diligence at the indicated valuation. He informed Mr. Kuhlik that the board had authorized Mr. Bertolini to meet with Mr. Kellogg, along with the companies financial advisors, to assist Merck in better understanding the potential synergies between the two companies, at the same time making clear that such a meeting would be a discussion aimed at testing the assumptions underlying the initial value indication, and was not for the purpose of providing due diligence to Merck.

Also during the January 9, 2009 Schering-Plough board update, Schering-Plough s financial advisors noted that another company (Company X) potentially had the financial and operational capacity to complete a strategic transaction with Schering-Plough and that, other than Merck, Company X was, in their view, the entity most likely to be interested in and capable of completing a strategic transaction with Schering-Plough. The board determined that it would be appropriate to better understand Company X s interest before making a determination as to Schering-Plough s response to the approach by Merck. Accordingly, the board asked Mr. Hassan to contact Company X to understand the interest of Company X and to assess any such interest in light of the approach by Merck.

After the January 9, 2009 Schering-Plough board update, Mr. Hassan contacted the chief executive officer of Company X, informing him that Schering-Plough had been approached by an unnamed company about a potential business combination with Schering-Plough. The two chief executive officers agreed to meet.

On January 12, 2009, Mr. Hassan and the chief executive officer of Company X met. Mr. Hassan noted to the chief executive officer of Company X that he had been approached by another company regarding a possible business combination. The chief executive officer of Company X expressed potential interest in the possibility of a business combination and the chief executive officers agreed to authorize a meeting between senior members of Schering-Plough and Company X management to discuss the potential benefits of such a transaction. In preparation for such a meeting, they agreed on the need for a confidentiality agreement.

The following day, January 13, 2009, Mr. Sabatino sent a proposed confidentiality agreement to the general counsel of Company X.

On January 15, 2009, Merck and Schering-Plough entered into a confidentiality agreement. That same day, Mr. Kellogg met with Mr. Bertolini, and other financial executives from both companies, along with each of the companies financial advisors. The Schering-Plough representatives discussed their view of potential synergies to be realized in a combination of Merck and Schering-Plough.

On January 16, 2009, during a special meeting of Merck s board via teleconference at which members of senior management and representatives of J.P. Morgan were present, Mr. Clark updated the board on the status of discussions and activities involving the potential combination with Schering-Plough. At that meeting, after consultation with senior management and Merck s financial advisors, the board authorized Mr. Clark to deliver a revised proposal for a business combination. Also that day, Merck s financial advisors informed Schering-Plough s financial advisors that they would consider the information obtained in the meeting the prior day and return with feedback.

Also on January 16, 2009, Mr. Sabatino continued negotiating the confidentiality agreement with the general counsel of Company X.

On January 19, 2009, representatives of J.P. Morgan contacted Goldman Sachs and requested a meeting for January 21, 2009, to learn more information about Schering-Plough s early pipeline. J.P. Morgan proposed that the meeting be followed by a meeting between Mr. Clark and Mr. Hassan the following day. After discussion amongst Schering-Plough senior management and the company s financial and legal advisors, Mr. Sabatino contacted Mr. Kuhlik and agreed to arrange the meeting.

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On January 21, 2009, Company X and Schering-Plough finalized and executed the confidentiality agreement to enable Company X to obtain information about Schering-Plough and discuss a possible business combination.

Also on January 21, 2009, members of senior management of Schering-Plough met with members of senior management of Company X, including Mr. Hassan and the chief executive officer of Company X. At the meeting, Schering-Plough discussed information from publicly available sources regarding various aspects of its business, including information about Schering-Plough s early stage pipeline. The information included a synthesis of information previously provided to industry analysts at various company events. At the conclusion of the meeting, the chief executive officer of Company X inquired as to the required timing for any proposal that Company X might present. Mr. Hassan responded that, in light of the motivated overture from the other company, Company X should act expeditiously.

Later in the day on January 21, 2009, members of Schering-Plough s research and development team met with their counterparts at Merck, along with representatives of Goldman Sachs and J.P. Morgan, to discuss the early stage pipeline of Schering-Plough. Following the meeting, Mr. Kuhlik contacted Mr. Sabatino to notify him that Mr. Clark would be contacting Mr. Hassan the following day to provide Mr. Hassan a clearer picture of Merck s views of a potential business combination in light of the information obtained during the previous week s meetings of the companies representatives.

On January 23, 2009, Mr. Clark and Mr. Hassan met. Mr. Clark informed Mr. Hassan that the meetings over the prior week had been very helpful, both in terms of developing a better understanding of Schering-Plough and also to assist in Merck refining its views of valuation of the company and its assessment of the potential benefits of a business combination. Noting that there appeared to be a good fit between the two companies, Mr. Clark informed Mr. Hassan that Merck s revised value indication was $24 per share of Schering-Plough common stock, an indication that was based on the additional information obtained during the meeting between J.P. Morgan and Goldman Sachs regarding valuation and underlying assumptions, but that did not necessarily fully reflect evaluation and analysis of the information obtained during the meeting regarding Schering-Plough s early pipeline held on January 21. Mr. Clark noted that 50-60 percent of the proposed merger consideration would be comprised of common stock of the combined company, resulting in ownership by Schering-Plough shareholders of approximately 25-30 percent of the combined company. Mr. Clark also noted that if Schering-Plough provided the due diligence that Merck had requested, Merck might have a basis for increasing its view of the value of Schering-Plough.

Mr. Hassan responded that the revised value indication remained below the zone that would be of interest, but said that he would discuss the revised proposal with the Schering-Plough board. Mr. Clark indicated that Merck had a regularly scheduled board meeting on February 23, 2009, and said that he would be interested in having a clear understanding with Mr. Hassan as to the potential value of Schering-Plough in a combination with Merck before that time. Mr. Clark also requested a meeting between the two companies legal advisors to discuss the implications of a transaction for Schering-Plough s key collaborations.

Also that day, the assigned research and development lead at Company X contacted Dr. Thomas Koestler, head of research and development at Schering-Plough, and the two individuals agreed to hold a follow-up meeting on the afternoon of Sunday, January 25, 2009. The chief executive officer of Company X indicated to Mr. Hassan that after that meeting had occurred, Company X would be able to provide a response to Schering-Plough.

On January 25, 2009, Dr. Koestler along with Ms. Carrie Cox, Executive Vice President and President, Global Pharmaceutical Business at Schering-Plough, met with senior members of Company X s research and commercial teams for a technical discussion focusing on Schering-Plough s early stage pipeline and the companies commercial prospects.

On January 27, 2009, Schering-Plough engaged Morgan Stanley & Co. Incorporated as an additional financial advisor to assist in evaluating a potential transaction in view of Morgan Stanley s deep historical knowledge of Schering-Plough and their expertise in pharmaceutical industry transactions.

On January 28, 2009, the Schering-Plough board held a telephonic update on recent developments with respect to discussions with Merck and with Company X. Representatives of both Goldman Sachs and Morgan

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Stanley, along with representatives of Wachtell Lipton, were present. Schering-Plough management expressed the view that Merck s proposal did not fully value Schering-Plough and the benefits that would be derived from a business combination with Schering-Plough. The Schering-Plough board considered Merck s request for full due diligence and its suggestion that such diligence could result in a higher value indication. After further discussion, however, the board determined not to approve full due diligence until Merck returned with a value indication that more appropriately reflected Schering-Plough s view of the value of the company and of the benefits to be derived from a business combination.

Mr. Hassan conveyed this information to Mr. Clark in a January 29, 2009 telephone call.

On January 30, 2009, during a special meeting of the Merck board via teleconference at which members of Merck s senior management and representatives of J.P. Morgan participated, Mr. Clark and senior management updated the board on the progress made since January 16, 2009 in connection with the potential business combination with Schering-Plough.

After further internal discussions, and in an effort to assist Merck in understanding the basis for Schering-Plough s belief that Merck s valuation of Schering-Plough should be increased, Schering-Plough determined to provide Merck with limited due diligence information based on publicly available information. The companies scheduled a meeting for February 3, 2009. Two days prior to the meeting, representatives of J.P. Morgan contacted Goldman Sachs to understand what information was expected to be presented during the meeting and inquired as to whether outside counsel could have a meeting soon afterwards.

On February 3, 2009, members of senior management of Schering-Plough met with members of senior management of Merck to discuss various aspects of Schering-Plough s and Merck s businesses, including discussions regarding the basis for Schering-Plough s view that Merck s valuation of Schering-Plough needed to be increased and Merck s belief that its common stock was currently undervalued.

On February 4, 2009, attorneys from Wachtell Lipton and Schering-Plough met with representatives of Merck to discuss Schering-Plough s collaboration agreements.

On February 5, 2009, Mr. Hassan received a call from the chief executive officer at Company X. The chief executive officer of Company X noted that his team had been working diligently on assessing the possibility for a business combination but had determined not to proceed with a proposal at that time.

Also that day, Mr. Clark called Mr. Hassan and indicated that he understood the early stage pipeline and legal meetings had been very productive and that Merck was likely willing to increase its proposed merger consideration for Schering-Plough, but would first like an indication from Schering-Plough as to what valuation they would believe to be appropriate. Mr. Hassan declined to respond with specificity. Instead, after a lengthy discussion, Mr. Hassan and Mr. Clark agreed that the chief financial officers from the companies meet again to attempt to bridge the differences in their respective views of the value of Schering-Plough, and also to gain a better understanding of Merck s business and financial prospects.

On February 7, 2009, representatives of J.P. Morgan contacted Goldman Sachs. The two financial advisors discussed next steps, and confirmed the planned meeting between the two chief financial officers. J.P. Morgan requested that Mr. Bertolini describe Schering-Plough s financial and business prospects at the meeting.

On the afternoon of February 9, 2009, the Schering-Plough board held a telephonic update, which included participation by senior management of Schering-Plough. At the meeting, Mr. Hassan updated the board on recent developments, including his discussion with the chief executive officer of Company X and Company X s

determination that it was not in a position at that time to make a proposal for a business combination. Mr. Hassan also updated the board on recent discussions with Merck, and noted that Schering-Plough s chief financial officer was scheduled to meet with his counterpart from Merck that week to obtain a better understanding of Merck s business and financial prospects and also to discuss Schering-Plough s business and financial prospects. After an interactive discussion with management, the board met in a board-only discussion. The board concluded that they were comfortable with the proposed meeting between chief financial officers, as well as additional due diligence as deemed appropriate by Mr. Hassan.

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Also on February 9, 2009, during a special meeting via teleconference at which representatives of Fried Frank were present, Mr. Clark, together with members of senior management, updated the Merck board on the progress made since January 30, 2009 in connection with the potential business combination with Schering-Plough.

On February 11, 2009, Mr. Kellogg and other Merck executives met with Mr. Bertolini, Ms. Cox and other members of Schering-Plough management, along with J.P. Morgan, Goldman Sachs and Morgan Stanley. The discussion included each of the companies describing its commercial, business, and financial prospects to the other company. The representatives of Merck indicated that the mix of cash and stock consideration to be received by the Schering-Plough shareholders in the proposed business combination was designed to enable the combined company to maintain the flexibility required to complete additional licensing arrangements and that Schering-Plough shareholders would benefit as shareholders of the combined entity. The Merck representatives noted that Mr. Clark and Mr. Hassan would both be in attendance at an industry meeting in Washington, D.C. the following Thursday, February 19, 2009, and Merck proposed a meeting at that time.

On February 13, 2009, attorneys from Wachtell Lipton and Schering-Plough met with attorneys from Fried Frank at the offices of Wachtell Lipton to discuss legal issues relating to the potential business combination. Also that day, Mr. Kuhlik contacted Mr. Sabatino to discuss expectations for the meeting between Mr. Clark and Mr. Hassan proposed for February 19, 2009, when the two men would be attending the industry meeting in Washington, D.C. Mr. Kuhlik indicated that Merck s goal was to reach an understanding as to the aggregate merger consideration that day, subject to due diligence and to the negotiation of definitive documentation acceptable to both parties, and recognizing that both parties would need to discuss any proposal with their respective boards.

On February 16, 2009, representatives of J.P. Morgan called Goldman Sachs to discuss a follow-up meeting that had been scheduled for February 18, 2009 between the chief financial officers, which the companies respective financial advisors would also be attending. Goldman Sachs requested that J.P. Morgan discuss their pro forma estimates as well as their plans for financing the potential transaction. J.P. Morgan noted on that call that, should the companies decide to pursue a transaction, the target announcement date was envisioned to be the week of March 9, 2009.

On February 17, 2009, during a special meeting via teleconference at which representatives of J.P. Morgan were present, Mr. Clark, together with members of senior management, updated the Merck board on the progress made since February 9, 2009 in connection with the potential business combination with Schering-Plough. Later that day, Mr. Clark telephoned Mr. Hassan to confirm plans for the chief financial officers to meet.

On February 18, 2009, at a meeting of the chief financial officers and the financial advisors, representatives of J.P. Morgan described the anticipated financing in some detail, and discussed methodologies and alternatives for setting an exchange ratio for the stock portion of the consideration.

On February 19, 2009, Mr. Clark and Mr. Hassan met after the industry meeting in Washington D.C. At the meeting, Mr. Clark delivered a revised business combination proposal to Mr. Hassan in which Schering-Plough shareholders would receive merger consideration in the amount of $10.50 in cash and an amount of combined company common stock that, based on the share price of Merck common stock at the time, resulted in a nominal price in the mid to high $25 range in aggregate consideration per share of Schering-Plough common stock. The proposed stock component was to be based on the average share price of Merck common stock for the 30 days ending on the day before announcement. Based on the closing price per share of Schering-Plough common stock of $18.62 on February 18, 2009, the revised proposal reflected a premium over Schering-Plough s stock price on that date in the range of 37% to 39%. Mr. Hassan thanked Mr. Clark for his proposal, but responded with the request for merger consideration for the Schering-Plough shareholders with a greater nominal price. If Merck could agree to merger consideration with an acceptable higher value, Mr. Hassan said that he would recommend a combination between the two companies to his board, although he emphasized that the transaction would need to be structured so that there was a high degree of

certainty of closing and that the financing commitment would have to be solid. Mr. Clark indicated that Merck would consider whether it could agree to merger consideration with a nominal price of $26.25 per share of Schering-Plough. Assuming the board would authorize the increased consideration, Mr. Clark and Mr. Hassan agreed to commence due diligence and contract negotiations. Mr. Hassan noted that the Schering-

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Plough board would be meeting on February 27, 2009, and that of course any authorization to proceed would be subject to their approval at each stage.

Mr. Clark called Mr. Hassan later that afternoon to confirm that Merck was willing to proceed with a transaction in which Schering-Plough shareholders would receive merger consideration with a nominal price of $26.25 subject to due diligence.

That same day, representatives of J.P. Morgan contacted Goldman Sachs and Morgan Stanley to confirm that the Merck proposal was for merger consideration of $10.50 in cash and an amount of combined company common stock with a nominal price of $15.75, determined by dividing $15.75 by the trailing 30 day volume weighted average price of Merck common stock ending on the day prior to announcement.

Also, later that day, Mr. Kuhlik contacted Mr. Sabatino to discuss the process for completing due diligence expeditiously and the process for negotiating the merger agreement.

On February 21, 2009, Merck sent a due diligence request list to Schering-Plough requesting items to review prior to reaching a definitive agreement.

On February 22, 2009, the Schering-Plough board held a telephonic update with the Schering-Plough management team, which included participation of its outside legal advisor and its outside financial advisors. Following a discussion with the outside financial advisors and outside legal advisor, the Schering-Plough board convened in executive session to discuss Merck s recent proposal. After discussion, the Schering-Plough board authorized Mr. Hassan to proceed to negotiate toward a definitive agreement. The board asked that a special session on the proposed transaction be included in the schedule for the Friday, February 27, 2009 board meeting. Mr. Hassan contacted Mr. Clark after the meeting to inform him of the board s determinations.

In the days that followed, the companies began the due diligence process, with meetings occurring directly between management members by telephone as well as a series of meetings in person at the offices of Wachtell Lipton. Schering-Plough opened an electronic data room to facilitate the due diligence process and began populating the data room in response to requests for information from Merck. Similarly, Merck opened an electronic data room to provide materials for Schering-Plough to conduct due diligence with respect to Merck.

On February 23, 2009, at a regularly scheduled board-only dinner, Mr. Clark updated the members of the Merck board regarding the status of the discussions and activities of management and Merck s advisors with their Schering-Plough counterparts since the February 17 telephonic meeting and the board generally discussed the potential combination with Schering-Plough.

In the early morning of February 24, 2009, Fried Frank sent to Wachtell Lipton an initial draft of the proposed merger agreement for their review. Due diligence meetings continued throughout the week, both by telephone and at the offices of Wachtell Lipton.

Also on February 24, 2009, the Merck board held a regularly scheduled board meeting at which representatives of Fried Frank and J.P. Morgan were in attendance. Members of senior management and representatives of Merck s financial and legal advisors discussed with the board the potential Merck and Schering-Plough business combination. After the meeting, Mr. Clark called Mr. Hassan to confirm Merck s continuing interest in the proposed combination.

In a regular board-only dinner on February 26, 2009, Mr. Hassan updated the Schering-Plough board on the status of the proposed transaction and the board expressed to Mr. Hassan its expectations regarding the information it expected to receive from its outside legal and financial advisors the following day.

The following day, February 27, 2009, the Schering-Plough board reconvened, along with its legal and financial advisors. Goldman Sachs and Morgan Stanley presented a financial analysis of the proposed transaction, and also reviewed each of the large multinational pharmaceutical companies and assessed their ability and willingness to complete a strategic transaction with Schering-Plough, and advised that Merck and Company X were the companies most likely to be interested in, and capable of completing, a business combination with Schering-Plough. Wachtell Lipton discussed the fiduciary duties of the directors and the

current state of negotiations with respect to the merger agreement, describing in further detail the most significant issues raised in the initial draft of the merger agreement.

Later that day, Mr. Hassan called Mr. Clark to update him on the Schering-Plough board deliberations.

During that week, representatives of Wachtell Lipton contacted Fried Frank to provide responses to the draft merger agreement. Among other things, Wachtell Lipton noted to Fried Frank that deal certainty was critical to Schering-Plough and that the need for a right to avoid closing based on financing seemed unnecessary given the strong cash flows of the two companies, the cash on hand, as well as the relatively small financing requirement to close the transaction. Relatedly, Wachtell Lipton noted that from Schering-Plough s perspective the extent of required regulatory efforts required by the draft merger agreement needed to be enhanced. Wachtell Lipton also noted that the draft merger agreement did not contain a right of Schering-Plough to terminate the agreement in the event the Schering-Plough board changed its recommendation in response to a superior alternative proposal. Finally, Wachtell Lipton, without making any request, noted that the agreement was silent with respect to representation of current Schering-Plough directors on the board of the post-merger company.

Throughout the next days, negotiations with respect to the merger agreement continued, including with respect to transaction certainty, the representations and warranties to be given by the companies, and the restrictions on Schering-Plough s business between signing and closing, as did due diligence discussions by telephone and in meetings at Wachtell Lipton.

On March 1, 2009, Wachtell Lipton sent Fried Frank a revised draft of the merger agreement.

On March 3, 2009, representatives of Fried Frank and Wachtell Lipton held a conference call to discuss key outstanding issues. The attorneys noted that the parties were not far apart on many of the provisions in the merger agreement, but that key unresolved issues remained, most prominent of which was the financing provision. Fried Frank stated that the provision enabling Merck not to close the transaction in the event that financing was unavailable was fundamental to Merck, and that Merck would not in any event agree to bear the risk of a failure by banks to deliver the financing. Fried Frank noted that, while there was no flexibility on this provision, there would be room to negotiate with respect to the size the financing termination fee. Wachtell Lipton noted that the proposed financing termination fee of $1 billion was low relative to precedent transactions. Wachtell Lipton and Fried Frank also discussed the size of the general termination fee, with Wachtell Lipton noting that the proposed fee was high relative to precedent transactions. Fried Frank agreed to permit Schering-Plough to terminate the merger agreement to accept a superior alternative proposal, but reiterated that the size of the termination fee was still open.

On March 4, 2009, during a special meeting via teleconference at which representatives of J.P. Morgan were present, Mr. Clark and members of Merck s senior management updated the Merck board on the progress made since February 24, 2009 in connection with the potential business combination with Schering-Plough. The update included progress and key findings from the due diligence process, status of the definitive merger agreement, bank financing and rating agency reviews among other things. Later that day, Fried Frank sent to Wachtell Lipton a revised draft of the merger agreement.

On March 6, 2009, the Schering-Plough board held a board-only telephonic update to discuss the transaction in light of the then-declining market conditions. The Schering-Plough board discussed the fact that the price of Merck stock had fallen by 19% over the prior two weeks. As a result of the fall in Merck s stock price and the method by which the stock component of the consideration was agreed to be calculated, the spot implied value of the merger consideration would be lower than it was at the time of Mr. Clark s and Mr. Hassan s meeting on February 19, 2009. However, given Merck s decline in stock price and the consequent decline in the 30 day volume weighted average price, the exchange ratio had risen since February 19, 2009, and Schering-Plough s shareholders would be receiving a greater number of

shares in the combined company. The Schering-Plough board determined that it would reconvene in two days time and further review and discuss the situation. After the meeting, Mr. Hassan, after consulting with his financial advisors, called Mr. Clark to ask whether adjustment would be possible in light of the changes in stock prices. Mr. Hassan also noted to Mr. Clark that the current draft of the merger agreement contemplated no board representation for any of the current Schering-Plough directors, despite the fact that Schering-Plough shareholders would hold

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over 30 percent of the stock of the continuing company. Mr. Clark said he would discuss Mr. Hassan s concerns with Merck s board, although he pointed out that Schering-Plough shareholders would be receiving a greater percentage of the shares of the combined company as a result of the decline in the Merck share price during the period since the two men had reached an understanding on the merger consideration to be received by the Schering-Plough shareholders. Later on that evening, Mr. Clark called Mr. Hassan to inform him that he had discussed the possibility of an adjustment to the proposed merger consideration with members of his board, and such possibility had been rejected.

Earlier that day, Fried Frank sent to Wachtell Lipton a draft of the commitment letter being negotiated between Merck, JPMorgan Chase Bank, N.A. and J.P. Morgan Securities Inc. for the financing.

Later that evening, Wachtell Lipton sent Fried Frank a revised draft of the merger agreement, noting that the revised draft did not contain comments on the financing provisions, which would need to be discussed separately.

On March 7, 2009, during a special meeting of the Merck board via teleconference at which representatives of J.P. Morgan, Fried Frank and Merck s New Jersey counsel, Day Pitney LLP, were present, updates and a review of various matters relevant to the proposed business combination with Schering-Plough were provided, including a review of the communications plans with respect to the transaction. The board heard from members of senior management with respect to key issues identified during the due diligence process. J.P. Morgan reviewed its financial analyses of the proposed combination with Schering-Plough and recent transactions in the pharmaceutical industry, and reviewed and discussed the financial terms of the proposed transaction with Schering-Plough. Mr. Kuhlik and Fried Frank provided a summary of the key terms of the proposed merger agreement, including the termination fees payable by Merck in the event the merger agreement were terminated because the financing for the proposed transaction was not available to Merck for closing, the status of financing arrangements and a review of regulatory approvals required in connection with the proposed combination. In addition, Fried Frank, assisted by Day Pitney, described the fiduciary duties of the board and the legal standards applicable to the board s consideration of the proposed combination with Schering-Plough. The board then discussed their duties with Fried Frank and Day Pitney. Following this discussion, the independent members of Merck s board met separately and discussed the potential combination with Schering-Plough.

Also on March 7, 2009, while discussions with respect to other aspects of the merger agreement continued throughout the day, including with respect to the obligations of Schering-Plough in the period between the signing of the merger agreement and the closing of the transaction, the legal and financial advisors to Schering-Plough discussed with Merck and its financial and legal advisors the possibility of alternatives to the financing provision, such as a provision permitting Schering-Plough to mandate a cure in the event of a failure to obtain financing and subsequent inability to close the transaction. Merck rejected these alternatives, again emphasizing that the financing provision was fundamental to the transaction, and that Merck would not accept the risk of a financing failure.

On March 8, 2009, the Schering-Plough board convened, meeting first in a board-only session. The board discussed the implied value of the merger consideration to be received by Schering-Plough (calculated on both a current basis and a 30-day volume weighted average basis), the transaction premium, the financing contingency and the company s standalone prospects. Following this discussion, Schering-Plough s financial advisors and legal counsel joined the meeting, along with members of senior management of Schering-Plough. Wachtell Lipton provided a summary of the proposed merger agreement. Goldman Sachs and Morgan Stanley reviewed their financial analyses of the potential transaction and the potential standalone value of the company. Wachtell Lipton, assisted by Schering-Plough s New Jersey counsel, McCarter & English, described the legal standards applicable to the duties of directors in considering the potential transaction, after which the board discussed their duties with Wachtell Lipton and McCarter English. The board then heard from members of management with respect to key issues that had surfaced during the due diligence process. Next there was an interactive discussion of the strategic fit of the two companies, and the significant strategic advantages of a combination with Merck. After further discussion, Mr. Sabatino reviewed the material terms of the

merger agreement, as well as the terms of the related debt financing commitment by JPMorgan Chase Bank, N.A. and

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J.P. Morgan Securities Inc. to Merck. Goldman Sachs and Morgan Stanley then reviewed and discussed the financial terms of the proposed transaction.

The exchange ratio of 0.5767 was calculated based on the agreed stock consideration of $15.75 divided by the trailing 30-day volume weighted average price of Merck common stock, which was $27.3109 as of Friday, March 6, 2009. As of that date, the spot implied value of the aggregate per share merger consideration was $23.61, representing a premium of approximately 34% to the closing price of Schering-Plough common stock on March 6, 2009, and a premium of approximately 44% based on the volume weighted average price of Schering-Plough common stock over the 30 trading days prior to the announcement.

Goldman Sachs and Morgan Stanley also discussed the benefits of the transaction to shareholders, including the increase in anticipated pro-forma earnings going forward and the greater dividend rate offered on Merck common stock (as compared to the current Schering-Plough dividend rate). Merck had indicated that it would announce, as part of the press release relating to the