

Important U.S. Federal Income Tax Information concerning the Medco Health Solutions, Inc. Stock Distribution

On August 19, 2003, Merck & Co., Inc. (“*Merck*”) distributed all of the outstanding common stock of Medco Health Solutions, Inc. (“*Medco Health*”) to Merck shareholders of record as of the close of business on August 12, 2003. In the distribution (the “*Spin-Off*”), you received .1206 shares of Medco Health common stock for each share of Merck common stock you owned.

This letter explains how to allocate your tax basis between your Merck common stock and the Medco Health common stock you received pursuant to the Spin-Off.

Tax Treatment of the Spin-Off. Merck has received a ruling from the Internal Revenue Service to the effect that the Spin-Off qualifies as a tax-free distribution for U.S. federal income tax purposes. The ruling provides that holders of Merck common stock will not recognize gain or loss upon the Spin-Off, except in connection with cash received in lieu of fractional shares.

Fractional Shares. Only whole shares of Medco Health common stock were issued. If you were otherwise entitled to receive a fractional share of Medco Health common stock, a check is enclosed that represents the cash in lieu of the fractional share. The taxable gain or loss that you recognized with respect to any cash you received is equal to the difference between the cash you received and your tax basis (determined as described below) in the fractional share (assuming your Merck stock was held as a capital asset).

Tax Basis Allocation. U.S. federal income tax law requires that your tax basis in your Merck common stock immediately before the Spin-Off must be allocated between your shares of Merck common stock and the shares of Medco Health common stock that you received (including any Medco Health fractional share for which you received cash). This allocation is based on the relative fair market values immediately after the Spin-Off of your Merck common stock and your Medco Health common stock. U.S. federal tax law does not specifically identify how you should determine the relative fair market values of the stocks. You and your tax advisor may find the attached **Exhibit 1** useful in determining the fair market values of the stocks.

If you acquired different blocks of Merck common stock at different times and prices, you will need to calculate a separate tax basis for each block of shares of Merck common stock, as well as for the shares of Medco Health common stock that you received. You should retain the information set forth in this letter to support the determination of your basis in your Merck and Medco Health shares.

Example. If you and your tax advisor use Allocation Method #1 in Exhibit 1, for purposes of determining the relative fair market values of the Merck common stock and the Medco Health common stock, the values of the stocks were \$50.92 and \$2.88 (i.e., \$23.85 times .1206) respectively. Accordingly, as set forth in the Basis Allocation Percentages Table in Exhibit 1, your aggregate tax basis in your Merck common stock is apportioned 94.65% to your

Merck common stock and 5.35% to the Medco Health common stock you received. The apportionment calculation may be illustrated as follows:

- Assume you own 100 shares of Merck stock with a tax basis of \$40 per share (\$4,000 total tax basis).
- You were entitled to 12.06 shares of Medco Health (100 times .1206), and thus as a result of the Spin-Off, you received 12 shares of Medco Health common stock and \$1.45 in lieu of a 0.06 fractional share.
- Your total tax basis in your Merck shares is reduced to \$3,786 (94.65% of \$4,000), or \$37.86 per share (\$3,786 divided by 100 shares).
- Your total tax basis in your Medco Health shares (including your fractional share) is \$214 (5.35% of \$4,000), or \$17.745 per share (\$214 divided by 12.06 shares). The basis allocated to the 0.06 fractional share of Medco Health stock for which you received cash would be \$1.06 ($\17.745×0.06), resulting in gain to you of \$0.39 ($\1.45 minus $\$1.06$).

Tax Information Filing Requirements. If you received Medco Health shares, we have included (**Exhibit 2**) a descriptive statement that you are required to attach to your 2003 federal income tax return in order to comply with Treasury Regulations § 1.355-5(b).

Consult Your Tax Advisor. The information in this letter and the attached Exhibits represents our understanding of existing U.S. federal income tax laws and does not constitute tax advice. It does not purport to be complete or to describe tax consequences that may apply to particular categories of shareholders. Each shareholder should consult a tax advisor as to the particular consequences of the Spin-Off to such shareholder under U.S. federal, state and local, and foreign tax laws.

**Information for use in Determining the Fair Market Values
of Merck and Medco Health Stock Immediately After the Spin-Off**

The Spin-Off occurred as of 11:59 p.m. Eastern Time on August 19, 2003. “When issued” trading in the Medco Health stock commenced on August 8, 2003 and ended on August 19, 2003.

U.S. federal income tax law does not specifically identify how you should determine the fair market values of the Merck common stock and the Medco Health common stock immediately after the Spin-Off. There are several potential methods of measuring the fair market value of the stocks immediately after the Spin-Off, including:

- (1) The closing trading prices of the stocks on the “when issued” market on the date of the Spin-Off (August 19, 2003);
- (2) The average of the high and low trading prices of the stocks on the first regular trading day for the Medco Health stock (August 20, 2003);
- (3) The opening trading prices of the stocks on the first regular trading day for the Medco Health stock (August 20, 2003); and
- (4) The closing trading prices of the stocks on the first regular trading day for the Medco Health stock (August 20, 2003).

You and your tax advisor may find the information in the following tables useful. The first table sets forth the prices for each of the four valuation methodologies described above. The second table sets forth the percentage that is multiplied by your tax basis in your Merck common shares prior to the Spin-Off to determine the amount allocable to your Merck common stock and your Medco Health common stock after the Spin-Off. The example in the accompanying letter illustrates the use of the allocation percentages (more specifically, the closing price “when issued” allocation method) set forth in the second table.

Trading Prices

Stock	Closing Trading Price (“When Issued”) on August 19, 2003	Average Trading Price on August 20, 2003	Opening Trading Price on August 20, 2003	Closing Trading Price on August 20, 2003
Merck	\$50.92	\$51.68	\$51.70	\$52.13
Medco Health Value Per Share	\$23.85	\$24.38	\$23.10	\$25.22
Relative Value (Value x .1206)	\$2.88	\$2.94	\$2.79	\$3.04

Basis Allocation Percentages

Stock	(1) Closing Price “When Issued” Allocation %	(2) High-Low Average Price Allocation %	(3) Opening Price “Regular Trading” Allocation %	(4) Closing Price “Regular Trading” Allocation %
Merck	94.65%	94.62%	94.88%	94.49%
Medco Health	5.35%	5.38%	5.12%	5.51%

INFORMATION STATEMENT TO THE INTERNAL REVENUE SERVICE

**Statement of Shareholder Receiving a Distribution of
Common Stock of Medco Health Solutions, Inc., a Controlled Corporation,
Filed Pursuant to Treasury Regulation § 1.355-5(b)**

1. On August 19, 2003, the undersigned, a shareholder of Merck & Co., Inc. (“*Merck*”) as of August 12, 2003, received shares of Medco Health Solutions, Inc. (“*Medco Health*”) common stock in a Spin-Off pursuant to Section 355 of the Internal Revenue Code (the “*Code*”).
2. Merck received a private letter ruling from the Internal Revenue Service, dated July 14, 2003, to the effect that the Spin-Off qualifies as a tax-free reorganization under Sections 368(a)(1)(D) and 355 of the Code. The private letter ruling provides that no gain or loss will be recognized by the stockholders of Merck upon receipt of Medco Health’s common stock in the Spin-Off, except to the extent of gain attributable to any cash received in lieu of a fractional share of Medco Health’s common stock.
3. The names, addresses and IRS employer identification numbers of the corporations involved are:
 - (a) Merck & Co., Inc.
One Merck Drive
Whitehouse Station, New Jersey 08889-0100
Employer identification number: 22-1109110
 - (b) Medco Health Solutions, Inc.
100 Parsons Pond Drive
Franklin Lakes, New Jersey 07417
Employer identification number: 22-3461740
4. The undersigned did not surrender any stock or securities of Merck in connection with the Spin-Off.
5. The undersigned received _____ shares of common stock of Medco Health in the Spin-Off.

Date

Shareholder Signature

If shares owned jointly, both taxpayers must sign

Shareholder Signature