

Merck & Co. Inc.

Form 11-K

June 29, 2011

**UNITED STATES**

**SECURITIES AND EXCHANGE COMMISSION**

**WASHINGTON, D.C. 20549**

## **FORM 11-K**

### **FOR ANNUAL REPORTS OF EMPLOYEE STOCK PURCHASE, SAVINGS AND SIMILAR PLANS**

**Pursuant to Section 15(d) of the Securities Exchange Act of 1934**

(Mark One)

☒ ANNUAL REPORT PURSUANT TO SECTION 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended December 31, 2010

OR

☐ TRANSITION REPORT PURSUANT TO SECTION 15(d) OF THE  
SECURITIES EXCHANGE ACT OF 1934

For the transition period from \_\_\_\_\_ to \_\_\_\_\_

Commission File Number: 1-06571

Employer Identification Number: 22-1918501

Plan Number: 061

MERCK PUERTO RICO EMPLOYEE SAVINGS AND SECURITY PLAN

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(Full title of the plan)

**MERCK & CO., INC.**

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(Name of issuer of the securities held pursuant to the plan)

One Merck Drive

P.O. Box 100

Whitehouse Station, New Jersey 08889-0100

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(Address of principal executive office)

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**Merck Puerto Rico Employee Savings and Security Plan  
Index to Financial Statements and Supplemental Schedule**

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\* Other schedules required by Section 2520.103-10 of the Department of Labor's Rules and Regulations for Reporting and Disclosure under ERISA have been omitted because they are not required.

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**Report of Independent Registered Public Accounting Firm**

To the Participants and Administrator of the  
Merck Puerto Rico Employee Savings and Security Plan

In our opinion, the accompanying statements of net assets available for benefits and the related statement of changes in net assets available for benefits present fairly, in all material respects, the net assets available for benefits of the Merck Puerto Rico Employee Savings and Security Plan (the Plan) at December 31, 2010 and 2009, and the changes in net assets available for benefits for the year ended December 31, 2010 in conformity with accounting principles generally accepted in the United States of America. These financial statements are the responsibility of the Plan's management. Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits of these statements in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplemental Schedule of Assets (Held at End of Year) as of December 31, 2010 is presented for the purpose of additional analysis and is not a required part of the basic financial statements but is supplementary information required by the Department of Labor's Rules and Regulations for Reporting and Disclosure under the Employee Retirement Income Security Act of 1974. This supplemental schedule is the responsibility of the Plan's management. The supplemental schedule has been subjected to the auditing procedures applied in the audits of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

/s/ PricewaterhouseCoopers LLP

San Juan, Puerto Rico  
June 29, 2011

**Merck Puerto Rico Employee Savings and Security Plan**  
**Statements of Net Assets Available for Benefits**

	December 31,	
	2010	2009
<b>Assets</b>		
Investments		
Investments, at fair value	\$ 44,977,632	\$ 40,806,640
Receivables		
Employer contribution	16,021	20,508
Participant contribution	54,157	67,740
Other receivables	6,311	15,547
Receivable for investments sold	157,283	256,454
Accrued interest and dividends	202,903	197,659
Notes receivable from participants	1,922,544	1,873,586
Total receivables	2,359,219	2,431,494
Cash and cash equivalents	37,501	36,331
Total assets	47,374,352	43,274,465
Liabilities		
Other payables	13,254	17,166
Payable for investments purchased	15,583	23,502
Total payables	28,837	40,668
Net assets available for benefits	\$ 47,345,515	\$ 43,233,797

The accompanying notes are an integral part of these financial statements.

**Merck Puerto Rico Employee Savings and Security Plan**  
**Statement of Changes in Net Assets Available for Benefits**

	<b>Year Ended December 31, 2010</b>
<hr/>	
<b>Additions to net assets attributed to</b>	
Investment income	
Net appreciation in fair value of investments	\$ 2,336,725
Dividends and interest	1,167,173
	<hr/>
Net investment income	3,503,898
Interest income, notes receivable from participants	107,363
Contributions to the Plan	
By participants	3,647,523
By employer	1,074,834
	<hr/>
Total contributions	4,722,357
	<hr/>
Total additions	8,333,618
	<hr/>
<b>Deductions from net assets attributed to</b>	
Benefits paid to participants	(4,221,900)
	<hr/>
Total deductions	(4,221,900)
	<hr/>
Net increase	4,111,718
<b>Net assets available for benefits</b>	
Beginning of year	43,233,797
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End of year	\$ 47,345,515
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The accompanying notes are an integral part of these financial statements.

**Merck Puerto Rico Employee Savings and Security Plan**  
**Notes to Financial Statements**

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**1. Description of Plan**

The following description of the Merck Puerto Rico Employee Savings and Security Plan (the **Plan**) provides only general information. Participants should refer to the Plan document for a more complete description of the Plan's provisions.

**General**

The Plan is a profit sharing plan designed to provide an opportunity for employees of MSD International GmbH (Puerto Rico Branch) LLC, Merck Sharp & Dohme de Puerto Rico, Inc. and Merck Sharp & Dohme (I.A.) Corp. Puerto Rico Branch (the **Companies**) to become stockholders of Merck & Co., Inc. (**Merck**) and to encourage them to save on a regular basis by setting aside part of their earnings. Regular full-time and part-time employees of the Companies, as defined in the Plan document, who have completed at least one year of employment and are not covered by a collective bargaining agreement, are eligible to enroll in the Plan.

Participants direct the investment of their contributions into any fund investment option available under the Plan, including Merck common stock. At December 31, 2010, the Plan offered 6 registered investment companies (mutual funds), 4 common/collective trusts, and 13 separately managed accounts.

The Plan is administered in part by the Employee Benefits Committee appointed by the President of the Companies and in part by management committees appointed by the Compensation and Benefits Committee of the Board of Directors of Merck. All costs of administering the Plan are borne by the Companies.

The Plan is subject to the provisions of the Employee Retirement Income Security Act of 1974 (**ERISA**).

**Contributions**

Participants may contribute from 2% up to 15% of their base pay, provided that pre-tax contributions shall not exceed 10% of base compensation or \$8,000. In addition, the Companies match 50% of pre-tax and after-tax contributions up to 5% of each participant's base compensation applicable to the pay period in which the contribution is being made. Participant and Company matching contributions are invested according to a participant's elections.

**Participant Accounts**

Each participant's account is credited with the participant's contribution, the Companies' matching contribution, and an allocation of Plan earnings. The allocation is based on participants' account balances, as defined in the Plan document.

**Vesting**

Participants are immediately vested in their contributions, all Companies' matching contributions, plus actual earnings thereon.

**Notes Receivable from Participants**

Participants may borrow from their account balances with interest charged at prime rate plus 1%. Loan terms range from one to five years or up to thirty years for the purchase of a primary residence. The minimum loan is \$500 and the maximum loan is the lesser of (i) \$50,000 less the highest outstanding loan balance during the one year period prior to the new loan application date, or (ii) 50% of the participant's account balance less any current outstanding loan balance.

#### **Payment of Benefits**

Participants are entitled to receive automatic, voluntary, in-service (which include hardship withdrawals), or mandatory distributions as provided in the applicable Plan provisions.

**Merck Puerto Rico Employee Savings and Security Plan**  
**Notes to Financial Statements**

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**Transfer of Assets to/from Other Plans**

Companies' employees or retirees may elect to transfer their savings to other plans qualified by the Puerto Rico Treasury Department (the "PRTD") or by the U.S. Internal Revenue Service (the "IRS"). Newly hired employees are allowed to transfer their savings from former employer plans to the Plan.

**2. Summary of Accounting Policies**

**Basis of Accounting**

The financial statements are prepared on the accrual basis of accounting. Certain amounts in the prior year financial statements have been reclassified to conform to the current presentation.

**Use of Estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and changes therein and disclosure of contingent assets and liabilities at the date of the financial statements. Management believes that these estimates are adequate. Actual results could differ from those estimates.

**Investment Valuation and Income Recognition**

All investments are recorded at fair value in the accompanying financial statements.

Purchases and sales of securities are recorded on a trade-date basis. Other receivables consist of proceeds receivable for investment securities sold with a settlement date after year end, in a separately managed account. Other payables represent amounts due for investment securities purchased with a settlement date after year end and accrued management expenses, in a separately managed account. Dividend income is recorded on the ex-dividend date. Interest income is recorded as earned.

**Notes Receivable from Participants**

Notes receivable from participants are measured at their unpaid principal balance plus any accrued but unpaid interest. Delinquent participant loans are reclassified as distributions based upon the terms of the plan document.

**Contributions**

Employee and Company matching contributions are recorded in the period in which the Companies makes the payroll deductions from the participants' earnings.

**Payment of Benefits**

Benefits are recorded when paid.



**Expenses**

The Plan's administrative expenses are paid by the Companies.

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**Merck Puerto Rico Employee Savings and Security Plan**  
**Notes to Financial Statements**

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**Recently Issued Accounting Standards**

Accounting Standards Update 2010-25 ("Update"), issued in September 2010, requires participant loans be classified as notes receivable from participants, segregated from plan investments and measured at their unpaid principal balance plus any accrued but unpaid interest. The amendments in this Update should be applied retrospectively to all prior periods presented, effective for fiscal years ending after December 15, 2010, with early adoption permitted. The Plan adopted this guidance as of December 31, 2010, and reclassified participant loans from plan investments to a component of receivables for both periods presented in the Statement of Net Assets Available for Benefits. Other than the reclassification requirements, the adoption of this standard did not have a material impact on the Plan's financial statements.

In January 2010, the Financial Accounting Standards Board ( FASB ) amended the existing disclosure guidance on fair value measurements, which was effective January 1, 2010, except for disclosures about purchases, sales, issuances, and settlements in the roll forward of activity in Level 3 fair value measurements, which was effective January 1, 2011. Among other things, the updated guidance requires additional disclosure for the amounts of significant transfers in and out of Level 1 and Level 2 measurements and requires certain Level 3 disclosures on a gross basis. Additionally, the updates amend existing guidance to require a greater level of disaggregated information and more robust disclosures about valuation techniques and inputs to fair value measurements. Since the amended guidance requires only additional disclosures, the adoption of the provisions effective January 1, 2010 did not, and for the provisions effective in 2011 will not, impact the Plan's net assets available for benefits or changes in net assets available for benefits.

In May 2011, the FASB issued ASU 2011-04 Amendments to Achieve Common Fair Value Measurement and Disclosure Requirements in U.S. GAAP and IFRS ("ASU 2011-04"). ASU 2011-04 is intended to improve the comparability of fair value measurements presented and disclosed in financial statements prepared in accordance with U.S. GAAP and IFRS. The amendments are of two types: (i) those that clarify the Board's intent about the application of existing fair value measurement and disclosure requirements and (ii) those that change a particular principle or requirement for measuring fair value or for disclosing information about fair value measurements. The update is effective for annual periods beginning after December 15, 2011. Plan management is in the process of evaluating the impact of the adoption of this update on the Plan's financial statements.

**Risks and Uncertainties**

The Plan provides for various investment options in investment securities. Investment securities, in general, are exposed to various risks and may decline in value for a number of reasons, including changes in prevailing interest rates and credit availability, increases in defaults, increases in voluntary prepayments for investments that are subject to prepayment risk under normal market conditions, widening of credit spreads and overall market volatility. Due to the level of risk associated with certain investment securities, it is reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect participants' account balances and the amounts reported in the Statement of Net Assets Available for Benefits.



**Merck Puerto Rico Employee Savings and Security Plan**  
**Notes to Financial Statements**

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**3. Related-Party Transactions**

Contributions are transmitted from the Trustee, Banco Popular, to the recordkeeper, Fidelity Management Trust Company ("Fidelity"), which invests cash received, interest and dividend income and makes distributions to the participants. The recordkeeper also administers the collection of interest and principal on notes receivable from participants. These transactions qualify as permitted party-in-interest transactions.

Certain Plan investments are shares of Registered Investment Companies (mutual funds) managed by Fidelity. Fidelity is the recordkeeper as defined by the Plan and, therefore, these transactions qualify as party-in-interest transactions. The total market value of the Plan's allocated portion of the investments managed by Fidelity was \$5,617,611 and \$5,403,762 at December 31, 2010, and December 31, 2009, respectively. During 2010, income from investments managed by Fidelity was \$188,503.

Merck also is a party-in-interest to the Plan under the definition provided in Section 3(14) of ERISA. Therefore, Plan transactions of Merck common stock qualify as party-in-interest transactions. The market value of the Plan's allocated portion of the investments in the Merck common stock was \$19,152,403 and \$18,918,161 at December 31, 2010, and December 31, 2009, respectively. During 2010, income from Merck common stock was \$558,448.

**4. Plan Termination**

Although they have not expressed any intent to do so, the Companies have the right under the Plan to discontinue their contributions at any time and to terminate the Plan subject to the provisions of ERISA. Upon termination of the Plan, each participant thereby affected would receive the entire value of his or her account as though he or she had retired as of the date of such termination.

**5. Tax Status**

The Plan obtained a tax determination letter from the PRTD dated February 18, 1998, indicating that it had been designed in accordance with applicable sections of the Puerto Rico Internal Revenue Code of 1994 ( "PRIRC" ) and is, therefore, exempt from Puerto Rico income taxes. On August 20, 2003, the Plan obtained a tax determination letter from the Internal Revenue Service ("IRS") indicating it has been designed in accordance with applicable sections of the Internal Revenue Code ( "IRC" ). However, the Plan has been amended since the receipt of the determination letters. The Plan sponsor and legal counsel believe that the Plan is designed and currently operates in compliance with the PRIRC and IRC. Therefore, no provision for income taxes has been made.

Accounting principles generally accepted in the United States of America require Plan management to evaluate tax positions taken by the Plan and recognize a tax liability (or asset) if the Plan has taken an uncertain position that more likely than not would not be sustained upon examination by the IRS. The Plan administrator has analyzed the tax positions taken by the Plan, and has concluded that as of December 31, 2010, there are no uncertain positions taken or expected to be taken that would require recognition of a liability (or asset) or disclosure in the financial statements. The Plan is subject to routine audits by taxing jurisdictions; however, there are currently no audits for any tax periods in progress. The Plan administrator believes it is no longer subject to income tax examinations for years prior to 2008.



**Merck Puerto Rico Employee Savings and Security Plan**  
**Notes to Financial Statements**


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**6. Investments**

The following presents investments that represent 5% or more of the Plan's net assets as of year-end:

	<b>December 31,</b>	
	<b>2010</b>	<b>2009</b>
Merck Common Stock	\$ 19,152,403	\$ 18,918,161
Columbia Acorn Fund, Class Z	3,829,824	2,952,956
Fidelity Retirement Money Market Portfolio	3,551,162	3,514,739
T. Rowe Price Blue Chip Growth Fund	3,130,369	2,547,539
American Funds Euro Pacific Growth Fund, Class 5	-	2,642,527
American Funds Euro Pacific Growth Fund, Class 6	3,030,674	-
SSgA Flagship 500 Index Fund Series A	2,407,392	-
	<b>\$ 35,101,824</b>	<b>\$ 30,575,922</b>

During 2010, the Plan's investments (including gains and losses on investments bought and sold, as well as held during the year) appreciated/(depreciated) in value by \$2,336,725 as follows:

	<b>December 31,</b>	
	<b>2010</b>	
Registered investment companies (mutual funds)	\$	1,699,062
Common/collective trusts		770,467
Merck Common Stock		(249,326)
Other common stocks		116,522
		<b>1,336,725</b>
Total	\$	<b>2,336,725</b>

**7. Fair Value Measurements**

Fair value is defined as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. Entities are required to use a fair value hierarchy which maximizes the use of observable inputs and minimizes the use of unobservable inputs when measuring fair value. There are three levels of inputs that may be used to measure fair value:

*Level 1* Quoted prices in active markets for identical assets or liabilities. The Plan's Level 1 assets primarily include registered investment companies (mutual funds) and common stocks.

*Level 2* Observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities, or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities. The Plan's Level 2 assets primarily include investments in common/collective trusts.

*Level 3* Unobservable inputs that are supported by little or no market activity and that are financial instruments whose values are determined using pricing models, discounted cash flow methodologies, or similar techniques, as well as instruments for which the determination of fair value requires significant judgment or estimation. The Plan did not hold any Level 3 assets at December 31, 2010 and 2009, respectively.

**Merck Puerto Rico Employee Savings and Security Plan**  
**Notes to Financial Statements**

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If the inputs used to measure the financial assets and liabilities fall within more than one level described above, the categorization is based on the lowest level input that is significant to the fair value measurement of the instrument.

Within the Plan, investments are recorded at fair value, as follows:

**Registered Investment Companies (Mutual Funds)**

Registered investment companies (mutual funds) are valued at their respective net asset values. The net asset values are typically determined by the fund at the close of regular trading on the New York Stock Exchange. Investments in registered investment companies (mutual funds) generally may be redeemed daily.

**Common/Collective Trusts**

The common/collective trusts are valued at their respective net asset values. The fair value of investments in the common/collective trusts are determined by their trustee. The Plan's investments in common/collective trusts generally may be redeemed daily.

**Common Stocks**

Common stocks, for which market quotations are readily available, are generally valued at the last reported sales price on their principal exchange on valuation date, or official close price for certain markets. If no sales are reported for that day, investments are valued at the more recent of (i) the last published sale price or (ii) the mean between the last reported bid and asked prices for long positions, or at fair value as determined in good faith by the trustee and the Companies.

**Investments Measured at Fair Value**

Investments measured at fair value are summarized below:



**Merck Puerto Rico Employee Savings and Security Plan**  
**Notes to Financial Statements**

December 31, 2010

Fair Value Measurements Using				
	Quoted Prices In Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
<b>Assets</b>				
<b>Registered Investment Companies</b>				
US Large Cap Equity	\$ 3,130,369	\$ -	\$ -	\$ 3,130,369
US Small/Mid Cap Equity	3,829,824			3,829,824
Non-US Equity	5,710,896			5,710,896
Fixed Income	2,347,000			2,347,000
Cash and Short Term Investments	3,551,162			3,551,162
<b>Common Collective Trusts</b>				
US Large Cap Equity		4,286,808		4,286,808
US Small/Mid Cap Equity		677,989		677,989
Non-US Equity		733,176		733,176
Fixed Income		471,794		471,794
Cash and Short Term Investments		39,832		39,832
<b>Merck Common Stock</b>	19,152,403			19,152,403
<b>Other common stocks</b>				
U.S. Small Cap Equities	1,046,379			1,046,379
<b>Total Investments</b>	<b>\$ 38,768,033</b>	<b>\$ 6,209,599</b>	<b>\$ -</b>	<b>\$ 44,977,632</b>

**Merck Puerto Rico Employee Savings and Security Plan**  
**Notes to Financial Statements**

December 31, 2009

	Fair Value Measurements Using				
	Quoted Prices In Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)		Total
Assets					
Registered Investment Companies					
US Large Cap Equity	\$ 2,547,539	\$ -	\$ -		\$ 2,547,539
US Small/Mid Cap Equity	2,952,956				2,952,956
Non-US Equity	4,961,628				4,961,628
Fixed Income	2,188,262				2,188,262
Cash and Short Term Investments	3,514,739				3,514,739
Common Collective Trusts					
US Large Cap Equity		3,512,252			3,512,252
US Small/Mid Cap Equity		467,907			467,907
Non-US Equity		577,008			577,008
Fixed Income		366,924			366,924
Cash and Short Term Investments		20,610			20,610
Merck Common Stock	18,918,161				18,918,161
Other common stocks					
U.S. Small Cap Equities	778,654				778,654
Total Investments	\$ 35,861,939	\$ 4,944,701	\$ -		\$ 40,806,640

**Merck Puerto Rico Employee Savings and Security Plan**  
**Notes to Financial Statements**


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**Supplemental  
Schedule H**
**Merck Puerto Rico Employee Savings and Security Plan**  
**Schedule of Assets (Held at End of Year) at December 31, 2010**  
**(Schedule H, Part IV, Line 4i on Form 5500)**

Identify of Issuer, Borrower, Lessor or Similar Party	Description of Investment	Shares/Par	Cost	Current Value
Merck & Co., Inc.	Merck Common Stock	533,957.000	* / ** \$	19,152,403
AGCO CORP	Common Stock	192.945	**	9,775
ATMI INC	Common Stock	383.798	**	7,653
ADTRAN INC	Common Stock	261.279	**	9,461
AIR METHODS CORP	Common Stock	222.251	**	12,506
ALLIANCE DATA SYS CORP	Common Stock	96.931	**	6,885
AMERIGROUP CORP	Common Stock	184.917	**	8,122
ANIXTER INTL INC	Common Stock	301.817	**	18,028
ARCH COAL INC	Common Stock	199.320	**	6,988
ASBURY AUTOMOTIVE GROUP	Common Stock	116.977	**	2,162
ATHEROS COMM INC	Common Stock	167.030	**	6,000
B&G FOODS INC	Common Stock	801.289	**	11,138
BANK OF THE OZARKS INC	Common Stock	353.981	**	15,345
BILL BARRETT CORP	Common Stock	271.507	**	11,167
BERRY PETROLEUM CO CL A	Common Stock	133.729	**	5,844
BIG LOTS INC	Common Stock	275.568	**	8,394
BIO REFERENCE LABS INC	Common Stock	266.179	**	5,904
BIOMARIN PHARMACEUTICAL	Common Stock	323.760	**	8,719
BRIGHAM EXPLORATION CO	Common Stock	439.910	**	11,983

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BRUKER CORP	Common Stock	447.766	**	7,433
CADENCE DESIGN SYS INC	Common Stock	630.275	**	5,206
CAPLEASE INC	Common Stock	758.455	**	4,464
CARRIZO OIL & GAS INC	Common Stock	180.618	**	6,230
CASTLE (A.M.) & CO	Common Stock	306.087	**	5,635
CAVIUM NETWORKS INC	Common Stock	278.732	**	10,503
CENTENE CORP	Common Stock	336.551	**	8,528
CHATHAM LODGING TRUST	Common Stock	297.851	**	5,190
CHEESECAKE FACTORY INC	Common Stock	375.901	**	11,525
CLEAN HARBORS INC	Common Stock	107.760	**	9,060
COLFAX CORP	Common Stock	275.426	**	5,071
COMMVAULT SYSTEMS INC	Common Stock	226.348	**	6,478
COMPELLENT TECH INC	Common Stock	141.501	**	3,904
COMPLETE GENOMICS INC	Common Stock	19.226	**	144
CONCHO RESOURCES INC	Common Stock	134.359	**	11,779
CONVIO INC	Common Stock	183.371	**	1,518
CORPORATE EXECUTIVE BRD C	Common Stock	456.591	**	17,145
		<b>Subtotal</b>	<b>\$</b>	<b>19,438,290</b>

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Supplemental  
Schedule H  
(Continued)

Merck Puerto Rico Employee Savings and Security Plan  
Schedule of Assets (Held at End of Year) at December 31, 2010  
(Schedule H, Part IV, Line 4i on Form 5500)

Identify of Issuer, Borrower, Lessor or Similar Party	Description of Investment	Shares/Par	Cost	Current Value
CREXUS INVT CO	Common Stock	284.304	** \$	3,785
WHITE MOUNTAINS INS GROUP	Common Stock	40.039	**	13,437
DARLING INTL INC	Common Stock	521.410	**	6,924
DIAMOND FOODS INC	Common Stock	98.560	**	5,241
DIGITAL RIVER INC	Common Stock	216.340	**	7,446
DRESSER RAND GROUP INC	Common Stock	373.201	**	15,895
EATON VANCE CORP NON VTG	Common Stock	498.503	**	15,070
EDUCATION MANAGEMENT CORP	Common Stock	245.187	**	4,438
EMERGENCY MEDICAL SV CL A	Common Stock	78.835	**	5,094
FXCM INC CLASS A	Common Stock	83.848	**	1,111
FTI CONSULTING INC	Common Stock	87.184	**	3,250
FERRO CORP	Common Stock	550.090	**	8,053
FIRST POTOMAC RLTY TR REIT	Common Stock	792.078	**	13,323
FIRSTMERIT CORP	Common Stock	214.574	**	4,246
FLUSHING FINANCIAL CORP	Common Stock	447.665	**	6,267
FRESH MARKET INC	Common Stock	43.547	**	1,794
GSI COMMERCE INC	Common Stock	271.537	**	6,300
GENESEE & WYOMING CL A	Common Stock	155.571	**	8,237
GRACO INC	Common Stock	135.762	**	5,356
SSBK STIF FUND	Cash	32.720	**	32,720
GREAT LAKES DREDGE & DOCK	Common Stock	534.171	**	3,937
HEARTLAND EXPRESS INC	Common Stock	630.174	**	10,095
HECLA MINING CO	Common Stock	1,098.902	**	12,374
HERSHA HOSPITALITY TR (REIT)	Common Stock	268.795	**	1,787
HITTITE MICROWAVE CORP	Common Stock	248.892	**	15,192
HUB GROUP INC CL A	Common Stock	186.166	**	6,542
IDEX CORPORATION	Common Stock	253.679	**	9,924
INSULET CORP	Common Stock	324.028	**	5,022
INTEGRA LIFESCIENCES HLDS	Common Stock	248.969	**	11,776

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INTERLINE BRANDS INC	Common Stock	382.049	**	8,699
INTREPID POTASH INC	Common Stock	161.892	**	6,037
JANUS CAPITAL GROUP INC	Common Stock	947.666	**	12,291
KILROY REALTY CORP	Common Stock	102.848	**	3,787
KORN/FERRY INTL	Common Stock	409.220	**	9,457
LATTICE SEMICONDUCTOR	Common Stock	558.297	**	3,383
LIFEPOINT HOSPITALS INC	Common Stock	350.080	**	12,865
		<b>Subtotal</b>	<b>\$</b>	<b>301,155</b>

**Supplemental  
Schedule H  
(Continued)**

**Merck Puerto Rico Employee Savings and Security Plan  
Schedule of Assets (Held at End of Year) at December 31, 2010  
(Schedule H, Part IV, Line 4i on Form 5500)**

Identify of Issuer, Borrower, Lessor or Similar Party	Description of Investment	Shares/Par	Cost	Current Value
LINCOLN EDUCATIONAL SVCS	Common Stock	289.014	** \$	4,483
MEMC ELECTRONIC MATERIALS	Common Stock	668.958	**	7,532
MFA FINANCIAL INC	Common Stock	1,832.459	**	15,366
MWI VETERINARY SUPPLY INC	Common Stock	194.480	**	12,281
MAIDENFORM BRANDS INC	Common Stock	475.216	**	11,296
MAP PHARMACEUTICALS INC	Common Stock	491.206	**	8,223
MID AMERICA APT CMNTY INC	Common Stock	173.702	**	11,028
MOBILE MINI INC	Common Stock	444.228	**	8,747
MOOG INC CL A	Common Stock	305.676	**	12,166
NATUS MEDICAL INC	Common Stock	387.288	**	5,492
NETGEAR INC	Common Stock	462.656	**	15,582
NTELOS HOLDINGS CORP	Common Stock	753.686	**	14,569
OCEANFIRST FINANCIAL CORP	Common Stock	435.748	**	5,608
OMNOVA SOLUTIONS INC	Common Stock	622.669	**	5,206
ORBCOMM INC	Common Stock	1,010.612	**	2,617
PS BUSINESS PKS CA REIT	Common Stock	64.040	**	3,568
PATRIOT COAL CORP	Common Stock	315.697	**	6,115
PINNACLE ENTERTAINMENT	Common Stock	704.680	**	9,880
PLEXUS CORP	Common Stock	257.413	**	7,964
POWER INTEGRATIONS INC	Common Stock	351.115	**	14,094
PROSPERITY BANCSHARES INC	Common Stock	109.918	**	4,318
PROTECTIVE LIFE CORP	Common Stock	669.154	**	17,826
PROVIDENT FIN SVCS INC	Common Stock	349.937	**	5,295
QUEST SOFTWARE INC	Common Stock	224.790	**	6,236
RBC BEARINGS INC	Common Stock	487.121	**	19,037
RELIANCE STEEL & ALUMINUM	Common Stock	209.174	**	10,689
RESOURCES CONNECTION INC	Common Stock	353.672	**	6,575
RUDDICK CORP	Common Stock	286.760	**	10,602
SBA COMM CORP CL A	Common Stock	343.997	**	14,083

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SANDERSON FARMS INC	Common Stock	4.775	**	187
SAVVIS INC	Common Stock	418.140	**	10,671
SCOTTS MIRACLE GRO C CL A	Common Stock	152.704	**	7,753
SOLARWINDS INC	Common Stock	187.724	**	3,614
STANCORP FINL GROUP INC	Common Stock	487.305	**	21,997
STERIS CORPORATION	Common Stock	69.873	**	2,548
SYMETRA FINANCIAL CORP	Common Stock	1,055.420	**	14,459
		<b>Subtotal</b>		<b>\$ 337,707</b>



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Supplemental  
Schedule H  
(Continued)

**Merck Puerto Rico Employee Savings and Security Plan**  
**Schedule of Assets (Held at End of Year) at December 31, 2010**  
**(Schedule H, Part IV, Line 4i on Form 5500)**

Identify of Issuer, Borrower, Lessor or Similar Party	Description of Investment	Shares/Par	Cost	Current Value
TW TELECOM INC	Common Stock	457.887	** \$	7,807
TELEDYNE TECHNOLOGIES INC	Common Stock	182.111	**	8,007
TEXAS ROADHOUSE INC	Common Stock	912.438	**	15,667
THOMAS PROPERTIES GROUP	Common Stock	991.208	**	4,183
TREEHOUSE FOODS INC	Common Stock	206.100	**	10,530
UNITED NATURAL FOODS INC	Common Stock	299.355	**	10,980
UNIVEST CORP PA	Common Stock	108.776	**	2,107
VAIL RESORTS INC	Common Stock	177.538	**	9,239
VERA BRADLEY INC	Common Stock	0.000	**	0
VITACOST.COM INC	Common Stock	440.707	**	2,512
VOLCOM INC	Common Stock	525.245	**	9,911
WSFS FINANCIAL CORP	Common Stock	86.405	**	4,099
WADDELL & REED FINL CL A	Common Stock	182.176	**	6,469
WARNACO GROUP INC	Common Stock	192.327	**	10,591
WASTE CONNECTIONS INC	Common Stock	458.095	**	12,611
WILEY (JOHN) & SONS CL A	Common Stock	416.267	**	18,899
WOODWARD INC	Common Stock	146.734	**	5,511
WRIGHT EXPRESS CORP	Common Stock	205.320	**	9,445
Fidelity Investment Co.	Fidelity Retirement Money Market Portfolio	3,642,635.310	*/**	3,551,162
	Fidelity Diversified International Fund, Class K	67,061.363	*/**	2,019,888
T. Rowe price Associates, Inc.	T. Rowe Price Blue Chip Growth Fund	82,097.274	**	3,130,369
The Capital Group Companies	American Funds EuroPacific Growth Fund, Class R6	73,257.771	**	3,030,674
Columbia Wanger Asset Management, LP	Columbia Acorn Fund, Class Z	126,857.369	**	3,829,824
Pacific Investment Management Company	PIMCO Total Return Fund - Institutional Fund	188,441.503	**	2,044,590
SSgA Funds Management, Inc.	SSgA Flagship 500 Index Fund Series A	N/A	**	2,407,392
	SSgA R2000 Index Fund	N/A	**	47,444
	SSgA EAFE Index Fund	N/A	**	33,502

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	SSgA Aggregate Bond Index Fund	N/A	**	15,365
AB MERCK RETIRE STRG 2005	DFA EMERGING MARKETS VALUE POR DFA EMERGING MRKTS VALUE	N/A	**	1,244
AB MERCK RETIRE STRG 2005	AMERICAN EUROPACIFIC GROWTH FUND AMERICAN EUROPACIFIC GRTH R6	N/A	**	7,450
AB MERCK RETIRE STRG 2005	PIMCO TOTAL RETURN FUND PIMCO TOTAL RETURN FUND INST	N/A	**	10,697
Subtotal				<b>\$ 20,278,169</b>

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Supplemental  
Schedule H  
(Continued)

Merck Puerto Rico Employee Savings and Security Plan  
Schedule of Assets (Held at End of Year) at December 31, 2010  
(Schedule H, Part IV, Line 4i on Form 5500)

Identify of Issuer, Borrower, Lessor or Similar Party	Description of Investment	Shares/Par	Cost	Current Value
AB MERCK RETIRE STRG 2005	SSGA STIF MONEY MARKET MUTUAL FUND LINKED 86199E9B7	N/A	**	\$ 11,941
AB MERCK RETIRE STRG 2005	STATE STR BK + TR CO INVT FDS BD MKT FD SER A	N/A	**	10,940
AB MERCK RETIRE STRG 2005	STATE STR BK + TR CO INVT FDS S+P 500 FLAGSHIP NON LENDING	N/A	**	26,179
AB MERCK RETIRE STRG 2005	STATE STR BK + TR CO INVT FDS RUSSELL 2000 INDEX FD SER A	N/A	**	5,988
AB MERCK RETIRE STRG 2005	DAILY EAFE INDEX NL SERIES FD	N/A	**	7,483
AB MERCK RETIRE STRG 2005	TIPS INDEX FUND SER FD C	N/A	**	14,623
AB MERCK RETIRE STRG 2005	WELLINGTON TR CO NATL ASSN COL MUTUAL FUND	N/A	**	1,478
AB MERCK RETIRE STRG 2010	DFA EMERGING MARKETS VALUE POR DFA EMERGING MRKTS VALUE	N/A	**	175
AB MERCK RETIRE STRG 2010	AMERICAN EUROPACIFIC GROWTH FUND AMERICAN EUROPACIFIC GRTH R6	N/A	**	6,160
AB MERCK RETIRE STRG 2010	PIMCO TOTAL RETURN FUND PIMCO TOTAL RETURN FUND INST	N/A	**	7,187
AB MERCK RETIRE STRG 2010	SSGA STIF MONEY MARKET MUTUAL FUND LINKED 86199E9B7	N/A	**	951
AB MERCK RETIRE STRG 2010	STATE STR BK + TR CO INVT FDS BD MKT FD SER A	N/A	**	7,013
AB MERCK RETIRE STRG 2010	STATE STR BK + TR CO INVT FDS S+P 500 FLAGSHIP NON LENDING	N/A	**	20,964
AB MERCK RETIRE STRG 2010	STATE STR BK + TR CO INVT FDS RUSSELL 2000 INDEX FD SER A	N/A	**	5,900
AB MERCK RETIRE STRG 2010	DAILY EAFE INDEX NL SERIES FD	N/A	**	6,183
AB MERCK RETIRE STRG 2010	TIPS INDEX FUND SER FD C	N/A	**	9,807
AB MERCK RETIRE STRG 2010	WELLINGTON TR CO NATL ASSN COL MUTUAL FUND	N/A	**	2,186
AB MERCK RETIRE STRG 2015	DFA EMERGING MARKETS VALUE POR DFA EMERGING MRKTS VALUE	N/A	**	8,982
AB MERCK RETIRE STRG 2015	AMERICAN EUROPACIFIC GROWTH FUND AMERICAN EUROPACIFIC GRTH R6	N/A	**	60,230
AB MERCK RETIRE STRG 2015	PIMCO TOTAL RETURN FUND PIMCO TOTAL RETURN FUND INST	N/A	**	50,171
AB MERCK RETIRE STRG 2015	STATE STR BK + TR CO INVT FDS BD MKT	N/A	**	49,664

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FD SER A				
AB MERCK RETIRE STRG 2015	STATE STR BK + TR CO INVT FDS S+P 500 FLAGSHIP NON LENDING	N/A	**	202,078
AB MERCK RETIRE STRG 2015	STATE STR BK + TR CO INVT FDS RUSSELL 2000 INDEX FD SER A	N/A	**	62,926
AB MERCK RETIRE STRG 2015	DAILY EAFE INDEX NL SERIES FD	N/A	**	60,207
AB MERCK RETIRE STRG 2015	TIPS INDEX FUND SER FD C	N/A	**	74,382
AB MERCK RETIRE STRG 2015	WELLINGTON TR CO NATL ASSN COL MUTUAL FUND	N/A	**	15,392
AB MERCK RETIRE STRG 2020	DFA EMERGING MARKETS VALUE POR DFA EMERGING MRKTS VALUE	N/A	**	10,044
AB MERCK RETIRE STRG 2020	AMERICAN EUROPACIFIC GROWTH FUND AMERICAN EUROPACIFIC GRTH R6	N/A	**	63,226
AB MERCK RETIRE STRG 2020	PIMCO TOTAL RETURN FUND PIMCO TOTAL RETURN FUND INST	N/A	**	45,037
AB MERCK RETIRE STRG 2020	STATE STR BK + TR CO INVT FDS BD MKT FD SER A	N/A	**	44,737
AB MERCK RETIRE STRG 2020	STATE STR BK + TR CO INVT FDS S+P 500 FLAGSHIP NON LENDING	N/A	**	214,135
			<b>Subtotal</b>	<b>\$ 1,106,369</b>

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Supplemental  
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Merck Puerto Rico Employee Savings and Security Plan  
Schedule of Assets (Held at End of Year) at December 31, 2010  
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Identify of Issuer, Borrower, Lessor or Similar Party	Description of Investment	Shares/Par	Cost	Current Value
AB MERCK RETIRE STRG 2020	STATE STR BK + TR CO INVT FDS RUSSELL 2000 INDEX FD SER A	N/A	** \$	71,829
AB MERCK RETIRE STRG 2020	DAILY EAFE INDEX NL SERIES FD	N/A	**	63,633
AB MERCK RETIRE STRG 2020	TIPS INDEX FUND SER FD C	N/A	**	40,615
AB MERCK RETIRE STRG 2020	WELLINGTON TR CO NATL ASSN COL MUTUAL FUND	N/A	**	16,326
AB MERCK RETIRE STRG 2025	DFA EMERGING MARKETS VALUE POR DFA EMERGING MRKTS VALUE	N/A	**	16,833
AB MERCK RETIRE STRG 2025	AMERICAN EUROPACIFIC GROWTH FUND AMERICAN EUROPACIFIC GRTH R6	N/A	**	100,637
AB MERCK RETIRE STRG 2025	PIMCO TOTAL RETURN FUND PIMCO TOTAL RETURN FUND INST	N/A	**	61,789
AB MERCK RETIRE STRG 2025	STATE STR BK + TR CO INVT FDS BD MKT FD SER A	N/A	**	64,231
AB MERCK RETIRE STRG 2025	STATE STR BK + TR CO INVT FDS S+P 500 FLAGSHIP NON LENDING	N/A	**	335,307
AB MERCK RETIRE STRG 2025	STATE STR BK + TR CO INVT FDS RUSSELL 2000 INDEX FD SER A	N/A	**	111,314
AB MERCK RETIRE STRG 2025	DAILY EAFE INDEX NL SERIES FD	N/A	**	100,805
AB MERCK RETIRE STRG 2025	TIPS INDEX FUND SER FD C	N/A	**	6,536
AB MERCK RETIRE STRG 2025	WELLINGTON TR CO NATL ASSN COL MUTUAL FUND	N/A	**	23,861
AB MERCK RETIRE STRG 2030	DFA EMERGING MARKETS VALUE POR DFA EMERGING MRKTS VALUE	N/A	**	20,156
AB MERCK RETIRE STRG 2030	AMERICAN EUROPACIFIC GROWTH FUND AMERICAN EUROPACIFIC GRTH R6	N/A	**	118,867

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AB MERCK RETIRE STRG 2030	PIMCO TOTAL RETURN FUND PIMCO TOTAL RETURN FUND INST	N/A	**	51,658
AB MERCK RETIRE STRG 2030	STATE STR BK + TR CO INVT FDS BD MKT FD SER A	N/A	**	53,125
AB MERCK RETIRE STRG 2030	STATE STR BK + TR CO INVT FDS S+P 500 FLAGSHIP NON LENDING	N/A	**	391,723
AB MERCK RETIRE STRG 2030	STATE STR BK + TR CO INVT FDS RUSSELL 2000 INDEX FD SER A	N/A	**	131,944
AB MERCK RETIRE STRG 2030	DAILY EAFE INDEX NL SERIES FD	N/A	**	119,065
AB MERCK RETIRE STRG 2030	WELLINGTON TR CO NATL ASSN COL MUTUAL FUND	N/A	**	27,007
AB MERCK RETIRE STRG 2035	DFA EMERGING MARKETS VALUE POR DFA EMERGING MRKTS VALUE	N/A	**	19,934
AB MERCK RETIRE STRG 2035	AMERICAN EUROPACIFIC GROWTH FUND AMERICAN EUROPACIFIC GRTH R6	N/A	**	118,679
AB MERCK RETIRE STRG 2035	PIMCO TOTAL RETURN FUND PIMCO TOTAL RETURN FUND INST	N/A	**	43,154
AB MERCK RETIRE STRG 2035	STATE STR BK + TR CO INVT FDS BD MKT FD SER A	N/A	**	45,800
AB MERCK RETIRE STRG 2035	STATE STR BK + TR CO INVT FDS S+P 500 FLAGSHIP NON LENDING	N/A	**	389,141
AB MERCK RETIRE STRG 2035	STATE STR BK + TR CO INVT FDS RUSSELL 2000 INDEX FD SER A	N/A	**	135,931
Subtotal			\$	2,679,900

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Merck Puerto Rico Employee Savings and Security Plan  
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Identify of Issuer, Borrower, Lessor or Similar Party	Description of Investment	Shares/Par	Cost	Current Value
AB MERCK RETIRE STRG 2035	DAILY EAFE INDEX NL SERIES FD	N/A	**	\$ 118,876
AB MERCK RETIRE STRG 2035	WELLINGTON TR CO NATL ASSN COL MUTUAL FUND	N/A	**	26,431
AB MERCK RETIRE STRG 2040	DFA EMERGING MARKETS VALUE POR DFA EMERGING MRKTS VALUE	N/A	**	11,527
AB MERCK RETIRE STRG 2040	AMERICAN EUROPACIFIC GROWTH FUND AMERICAN EUROPACIFIC GRTH R6	N/A	**	72,379
AB MERCK RETIRE STRG 2040	PIMCO TOTAL RETURN FUND PIMCO TOTAL RETURN FUND INST	N/A	**	25,825
AB MERCK RETIRE STRG 2040	STATE STR BK + TR CO INVT FDS BD MKT FD SER A	N/A	**	27,244
AB MERCK RETIRE STRG 2040	STATE STR BK + TR CO INVT FDS S+P 500 FLAGSHIP NON LENDING	N/A	**	237,268
AB MERCK RETIRE STRG 2040	STATE STR BK + TR CO INVT FDS RUSSELL 2000 INDEX FD SER A	N/A	**	83,393
AB MERCK RETIRE STRG 2040	DAILY EAFE INDEX NL SERIES FD	N/A	**	72,500
AB MERCK RETIRE STRG 2040	WELLINGTON TR CO NATL ASSN COL MUTUAL FUND	N/A	**	16,030
AB MERCK RETIRE STRG 2045	DFA EMERGING MARKETS VALUE POR DFA EMERGING MRKTS VALUE	N/A	**	3,085
AB MERCK RETIRE STRG 2045	AMERICAN EUROPACIFIC GROWTH FUND AMERICAN EUROPACIFIC GRTH R6	N/A	**	11,857
AB MERCK RETIRE STRG 2045	PIMCO TOTAL RETURN FUND PIMCO TOTAL RETURN FUND INST	N/A	**	4,292
AB MERCK RETIRE STRG 2045	STATE STR BK + TR CO INVT FDS BD MKT FD SER A	N/A	**	4,701
AB MERCK RETIRE STRG 2045	STATE STR BK + TR CO INVT FDS S+P 500 FLAGSHIP NON LENDING	N/A	**	38,758
AB MERCK RETIRE STRG 2045	STATE STR BK + TR CO INVT FDS RUSSELL 2000 INDEX FD SER A	N/A	**	13,178
AB MERCK RETIRE STRG 2045	DAILY EAFE INDEX NL SERIES FD	N/A	**	11,877
AB MERCK RETIRE STRG 2045	WELLINGTON TR CO NATL ASSN COL MUTUAL FUND	N/A	**	1,829
AB MERCK RETIRE STRG 2050	DFA EMERGING MARKETS VALUE POR DFA EMERGING MRKTS VALUE	N/A	**	1,501
AB MERCK RETIRE STRG 2050	AMERICAN EUROPACIFIC GROWTH FUND AMERICAN EUROPACIFIC GRTH R6	N/A	**	7,177
AB MERCK RETIRE STRG 2050	PIMCO TOTAL RETURN FUND PIMCO TOTAL	N/A	**	2,544

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## RETURN FUND INST

AB MERCK RETIRE STRG 2050	STATE STR BK + TR CO INVT FDS BD MKT FD SER A	N/A	**	2,936
AB MERCK RETIRE STRG 2050	STATE STR BK + TR CO INVT FDS S+P 500 FLAGSHIP NON LENDING	N/A	**	23,351
AB MERCK RETIRE STRG 2050	STATE STR BK + TR CO INVT FDS RUSSELL 2000 INDEX FD SER A	N/A	**	7,965
AB MERCK RETIRE STRG 2050	DAILY EAFE INDEX NL SERIES FD	N/A	**	7,193
AB MERCK RETIRE STRG 2050	WELLINGTON TR CO NATL ASSN COL MUTUAL FUND	N/A	**	1,157
AB MERCK RETIRE STRG 2055	DFA EMERGING MARKETS VALUE POR DFA EMERGING MRKTS VALUE	N/A	**	32
Subtotal				<hr/> \$ 834,906 <hr/>



Supplemental  
Schedule H  
(Continued)Merck Puerto Rico Employee Savings and Security Plan  
Schedule of Assets (Held at End of Year) at December 31, 2010  
(Schedule H, Part IV, Line 4i on Form 5500)

Identify of Issuer, Borrower, Lessor or Similar Party	Description of Investment	Shares/Par	Cost	Current Value
AB MERCK RETIRE STRG 2055	AMERICAN EUROPACIFIC GROWTH FUND AMERICAN EUROPACIFIC GRTH R6	N/A	** \$	159
AB MERCK RETIRE STRG 2055	PIMCO TOTAL RETURN FUND PIMCO TOTAL RETURN FUND INST	N/A	**	56
AB MERCK RETIRE STRG 2055	STATE STR BK + TR CO INVT FDS BD MKT FD SER A	N/A	**	75
AB MERCK RETIRE STRG 2055	STATE STR BK + TR CO INVT FDS S+P 500 FLAGSHIP NON LENDING	N/A	**	512
AB MERCK RETIRE STRG 2055	STATE STR BK + TR CO INVT FDS RUSSELL 2000 INDEX FD SER A	N/A	**	175
AB MERCK RETIRE STRG 2055	DAILY EAFE INDEX NL SERIES FD	N/A	**	159
Notes receivable from Participants	Interest rates ranging from 4.5% to 9.5% with maturities through 2034		*	1,922,544
			<b>Subtotal</b>	<b>\$ 1,923,680</b>
			<b>Grand Total</b>	<b>\$ 46,900,176</b>

\* Denotes a party-in-interest to the Plan.

\*\* Cost is not required for participant directed investments.

**SIGNATURE**

*The Plan.* Pursuant to the requirements of the Securities Exchange Act of 1934, the trustees (or other persons who administer the Plan) have duly caused this annual report to be signed on its behalf by the undersigned hereunto duly authorized.

Merck Puerto Rico Employee Savings and Security Plan

By: /s/ Mark E. McDonough

\_\_\_\_\_  
Mark E. McDonough  
Vice President and Treasurer

June 29, 2011

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## EXHIBIT INDEX

Exhibit Number	Document	Page
<u>23</u>	<u>Consent of Independent Registered Public Accounting Firm</u>	<u>22</u>
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