

SECURITIES AND EXCHANGE COMMISSION

FORM PREC14A

Preliminary proxy statement in connection with contested solicitations

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SUBJECT COMPANY

MERCK & CO INC

CIK: **64978** | IRS No.: **221109110** | State of Incorporation: **NJ** | Fiscal Year End: **1231**
Type: **PREC14A** | Act: **34** | File No.: **001-03305** | Film No.: **94516608**
SIC: **2834** Pharmaceutical preparations

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FILED BY

KELLY THOMAS J /FA

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Type: **PREC14A**

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PRELIMINARY PROXY STATEMENT

SOLICITATION IN OPPOSITION TO MANAGEMENT'S NOMINEES
FOR THE BOARD OF DIRECTORS OF
MERCK & CO.

Thomas J. Kelly March 26, 1994
1301 S. Delaware Avenue
Philadelphia PA 19147
Tel. (215) 952-1999
Fax (215) 952-0250

Merck's annual shareholders meeting is on April 26, 1994 at
Raritan Valley Community College in North Branch, New Jersey.

I am running for the board of directors in opposition to
the incumbent directors, and ask that you cumulate your votes on my
behalf.

I BELIEVE EXECUTIVE COMPENSATION AT MERCK NEEDS REFORM

<TABLE>

Here is a summary of Merck executive compensation
in the past three years:

<CAPTION>

| Name | Title | Yr. | Salary & Bonus | LTIP Pay | Stock Options |
|-------------------------|-------------------|------|----------------|-----------|---------------|
| <S> | <C> | <C> | <C> | <C> | <C> |
| Roy Vagelos | CEO, Pres. | 1993 | | | |
| | | 1992 | \$2,525,000 | | 680,000 |
| | | 1991 | \$2,352,083 | \$992,400 | 180,300 |
| Edward M. Scolnick | Senior VP & Pres. | 1993 | | | |
| | | 1992 | \$1,190,000 | | 54,000 |
| | | 1991 | \$ 997,500 | \$285,200 | 36,000 |
| Francis H. Spiegel, Jr. | Senior VP | 1993 | | | |
| | | 1992 | \$1,190,000 | | 54,000 |
| | | 1991 | \$1,067,500 | \$263,300 | 54,300 |
| Jerry T. Jackson | Senior VP | 1993 | | | |
| | | 1992 | \$1,036,250 | | 54,000 |
| | | 1991 | \$ 895,000 | \$186,000 | 54,300 |
| John L. Zabriskie | Senior VP & Pres. | 1993 | | | |
| | | 1992 | \$1,036,250 | | 54,000 |
| | | 1991 | \$ 895,000 | | 54,300 |
| Richard J. Markham | Senior VP & Pres. | 1993 | | | |
| | | 1992 | \$1,023,750 | | 54,000 |
| | | 1991 | \$ 796,250 | | 54,300 |

</TABLE>

I question the grant of options for 500,000 shares to Dr. Vagelos in 1992, since those options are not exercisable until long after he retires from the company (he reaches the Company's mandatory retirement age in 1994; the options are not exercisable until July 1997). Options are usually granted to encourage an executive to take actions while he or she is in office to push the stock price up, thereby benefitting both shareholders at large and the option holder. Dr. Vagelos stands to profit enormously from the conduct of his successors: if the stock price rises 10% per year, those options will be worth \$40.8 million. On top of that he will receive various retirement benefits.

Further information on executive compensation is provided in Merck's 1993 and 1994 proxy statements, incorporated herein by reference.

THE OUTCOME OF THE HEALTH CARE REFORM DEBATE FOR MERCK

Our company is laboring hard to convince Congress to block the Administration's plan to cut and regulate drug prices.

In my view, Merck cannot be a credible player in the debate over health care reform if its executive compensation levels continue. I believe Merck's executive pay levels make it hard to convince policy-makers that Merck is pursuing high profits in order to fund research and development rather than to benefit Merck executives. Electing me to the Board will be a statement by Merck shareholders that they are willing to police executive compensation on their own.

In 1993, Congress made clear its concern over high executive compensation levels: it amended the Internal Revenue Code to make it much harder for public companies to deduct compensation in excess of one million dollars per year as a business expense. With limited exceptions, companies can only get a tax deduction for compensation in excess of \$1 million per year if those payments are based on objective performance criteria approved by shareholders. See IRC section 162(m). I pledge to shareholders that I will work hard to avoid their company having to pay taxes on executive pay.

When executive compensation is challenged, the standard answer of corporate executives and their allies is that high pay helps the company attract and retain the best talent. However, I believe that talented executives are willing to work for less than Merck is now paying. The current Board justifies its pay levels by pointing to what competitors pay, but remember that legislators and consumers have no more sympathy for enormous executive pay at our competitors than at Merck. Also, compare Merck's executive pay in 1992 with some other pharmaceutical companies:

Average Salary and Bonus For Top 5 Execs in 1992(a):

| Company | Amount |
|------------------------------|---------------|
| A. L. Laboratories | \$ 410,681.40 |
| Abbott Laboratories | 925,096.60 |
| Allergan, Inc. | 519,524.40 |
| American Cyanamid Co. | 789,034.80 |
| Bristol-Myers Squibb Company | 1,126,810.20 |
| Eli Lilly & Co. | 1,022,540.40 |
| Genentech, Inc. | 456,400.00 |
| Johnson & Johnson | 992,261.00 |
| K V Pharmaceutical Co. | 212,695.00 |
| Marion Merrell Dow, Inc. | 903,633.20 |
| MERCK & CO., INC. | *1,395,500.00 |
| Pfizer, Inc. | 847,200.00 |
| Rhone-Poulenc Rorer, Inc. | 613,368.60 |
| Schering Plough Corp. | 1,056,100.00 |
| Upjohn Co. | 740,091.00 |
| Warner Lambert, Co. | 869,716.80 |

[FN]

(a) This is not an exhaustive listing of all drug companies. It is based on these companies' 1993 proxy statements, which contain more complete information about executive compensation at each company and which are available from the SEC and from Disclosure, Inc. Duties of the top 5 executives obviously vary from company to company. This survey does not include other forms of compensation, such as stock options and various benefit programs. More current data will become available as each company releases its 1994 proxy statement.

THE NEED FOR GREATER INDEPENDENCE ON THE BOARD

I feel interlocking directorates are questionable when it comes to executive compensation. Merck's Compensation Committee includes director Ruben Mettler, who is the former CEO of TRW, Inc. and still a TRW director. TRW's Board has included Merck's Dr. Vagelos since 1987. Both men have served together on Merck's Board since 1984.

Since Mettler stepped down as TRW's CEO in 1988, TRW has paid him hundreds of thousands under a series of consulting contracts. Mettler's latest 3-year consulting contract was approved while Vagelos was on TRW's Compensation Committee.

Mettler was on Merck's Compensation Committee when it approved the stock option grant of 500,000 shares to Vagelos. Vagelos was a non-voting member of that Committee until the day before it voted for this option grant.

I certainly do not accuse Mettler and Vagelos of any conspiracy; I simply think Merck's Compensation Committee needs members whose relationship with management is not as close. Mettler is up for reelection to the Merck Board at this time.

WHO IS THOMAS J. KELLY?

| Organizations | Positions Held | Dates Held |
|---|-------------------------------|--------------|
| Sheet Metal Workers Local 19 ("SMW") | President/Business Manager | 1979-present |
| Philadelphia Zoning Board of Adjustment | Chairman | 1992-present |
| Philadelphia Parking Authority | Board Member | 1982-90 |
| SMW Health & Welfare Fund | Trustee | 1979-present |
| SMW Pension Fund | Trustee | 1979-present |
| SMW Annuity Fund | Trustee | 1979-present |
| SMW Joint Apprenticeship Fund | Trustee | 1979-present |
| SMW Unemployment Benefit Fund | Trustee | 1982-present |
| SMW Vacation Fund | Trustee | 1979-present |
| Philadelphia AFL-CIO | Vice-President | 1985-present |
| Mechanical Trades Council of Philadelphia | Vice-President | 1979-present |
| New Jersey Council of Sheet Metal Workers | President | 1989-present |
| Pennsylvania Council of Sheet Metal Workers | President | 1990-present |
| Philadelphia Building & Construction Trades Council | Vice-President | 1982-present |
| Stabilization Agreement for National Sheet Metal Industry | Trustee | 1986-92 |

SMW owns 300 shares of Merck common stock, and has owned Merck stock for more than 3 years.

WHAT I WILL DO AS DIRECTOR

I will be the shareholders' watchdog, no one else's. A corporate director is a fiduciary, and having considerable experience as a fiduciary, I understand a fiduciary's obligations of loyalty. SMW does not represent or seek to represent any Merck employees. Because Merck employs over 35,000 people, including about 7300 who bargain collectively, I believe my familiarity with labor relations would be useful on the Board.

If elected, I not only plan to pursue the executive compensation issues discussed above, but also will support a return to annual election of all directors (declassifying the Board).

To show my commitment to annual election of directors, I pledge to resign after only one year and run again, rather than take advantage of a 3-year term.

The incumbent directors may attack my motives in running for office and charge I am only out to pursue my objections to Merck building non-union. To prove that is not so, I hereby pledge that if I am elected director, I will not vote on the subject of Merck building non-union, nor communicate with Merck's executive officers about it.

THE BOARD'S NOMINEES FOR ELECTION:

Merck's proxy statement contains information on the biographies and compensation of the incumbent directors, which I incorporate by reference.

The Board's nominees for terms expiring in 1997 are:

1. Ruben F. Mettler (director and former CEO, TRW Inc.)
2. Lawrence A. Cassidy (CEO, Allied Signal, Inc.)
3. William N. Kelley (CEO, Univ. of Penn. Medical Center)
4. Richard S. Ross (Dean Emeritus of John Hopkins School of Medicine)
5. Charles E. Exley, Jr. (retired CEO, NCR Corp.)

SHAREHOLDER PROPOSALS AND OTHER BUSINESS AT THE 1994 MEETING

Merck and its shareholders have made proposals for consideration at this meeting. I refer you to the discussion of these proposals in Merck's proxy statement (incorporated herein by reference). Shareholders who give me their proxy can vote on these proposals as they wish, but I recommend they vote as follows:

I know of no other business to be presented at the meeting, but if other matters do properly come before the meeting, the enclosed proxy card will be voted in accordance with the best judgment of the persons named on the enclosed card (myself and Bruce Endy, an attorney with Spear, Wildman, Borish, Endy, Browning & Spear, 260 Broad Street #1500, Philadelphia PA 19102, which represents me and SMW; the firm's pension plan owns 200 shares of Merck common stock).

INFORMATION ABOUT SHAREHOLDER VOTING

1. REVOCATION RIGHTS: IF YOU HAVE ALREADY VOTED ON MANAGEMENT'S CARD, IT IS NOT TOO LATE TO CHANGE YOUR VOTE

Any person giving a proxy has the power to revoke it simply by signing and dating a new proxy card and submitting it prior to votes being tallied at the annual meeting. A proxy may also be revoked by giving written notice of revocation to the Secretary of the Company or by voting at the meeting.

2. YOUR VOTING RIGHTS; CUMULATIVE VOTING FOR DIRECTORS

The holders of common stock are entitled to one vote per share except that in the election of directors, each share carries as many votes as there are vacancies on the board: in other words, because there are 5 directors to be elected this year, each of your shares carries 5 votes in the directors election. You can cast all these votes for a single nominee or spread your votes among as many of the candidates as you see fit. A candidate can be elected by receiving the cumulated votes of 16.67% of the shares voted plus one. If you sign the enclosed proxy card, your votes will be cumulated for my candidacy unless you instruct otherwise.

3. WARNING TO EMPLOYEE-SHAREHOLDERS

The attached proxy card will not serve as a voting instruction card for the shares held for any shares you own through the Employee Savings and Security Plan, Employee Stock Purchase and Savings Plan or Hubbard Farms, Inc. Employee Savings Plan. Instead, participants in these plans will receive separate voting instruction cards covering these shares from plan trustees. If these voting instruction cards are not returned, these shares will not be voted. The trustees of such plans are not allowed to disclose to the Company how you vote.

4. OTHER VOTING INFORMATION

Only stockholders of record at the close of business of March __, 1994 (the record date and time fixed by the directors) are entitled to vote at the meeting. If you participate in the Automatic Dividend Reinvestment and Cash Repayment Plan, the enclosed proxy card covers the shares in that account for that plan, as well as shares registered in the plan participant's

name. A majority of the votes cast by holders of common stock is required for approval of the shareholder proposals. Abstentions and broker non-votes are not counted as votes cast on any matter to which they relate.

ATTENDING THE SHAREHOLDERS MEETING

The meeting will be on Tuesday, April 26, 1994, at 2pm at Raritan Valley Community College in North Branch, New Jersey. Admission to the meeting will be by ticket only. If you are a stockholder of record and wish to attend, please return the ticket request card sent shareholders by the Company. If your shares are not registered in your own name and you wish to attend, request a ticket by writing the Company's Secretary at Merck & Co., WS 3AB-05, P.O. Box 100, Whitehouse Station, New Jersey 08889-0100.

SOLICITATION

I will solicit proxies personally, and be assisted solely by SMW members and staff (who will receive no additional compensation for this effort) and by paid consultant Mark Atkinson. If elected, I will not seek reimbursement from the company of expenses in running for office. The cost of the solicitation will be borne solely by SMW and I. We expect to spend about \$20,000 on these efforts (we have spent about \$2000 to date). We expect to solicit proxies through the mail, telephone and/or personal interviews. We will also request brokers, custodians and other nominees to forward solicitation materials to beneficial owners of common stock, and we will reimburse them for their reasonable out-of-pocket expenses.

SECURITY OWNERSHIP OF MANAGEMENT AND CERTAIN BENEFICIAL OWNERS

For this information please refer to the Company's proxy statement, incorporated herein by reference.

DEADLINE FOR STOCKHOLDER PROPOSALS FOR 1995

Stockholders who wish to have proposals included in the company's proxy materials for a vote at the next shareholders meeting must make sure they are received by the Company by November __, 1994.

GETTING IN TOUCH WITH ME

Correspondence or proxy cards can be faxed to me at (215) 952-0250. For more information, call me at (215) 952-1999.

This proxy statement is being released to shareholders on or about March 26, 1994. Thank you for your consideration.

Sincerely,

Thomas J. Kelly

Please sign, date, and return the enclosed proxy card today in the envelope provided.

PROXY SOLICITED IN OPPOSITION TO INCUMBENT DIRECTORS

BY THOMAS J. KELLY

* * * * *

PROXY/VOTING INSTRUCTION CARD

Annual Meeting of Merck & Co. -- April 26, 1994

PLEASE FILL OUT BELOW, DATE, SIGN AND RETURN PROMPTLY USING THE ENVELOPE PROVIDED

The undersigned hereby appoints Thomas J. Kelly and Bruce Endy as proxies, each with full power of substitution, and hereby authorizes them to vote as designated all of the undersigned's Merck & Co. stock at the annual stockholders meeting on April 26, 1994, and at any adjournments, upon the matters below and upon such other matters as may properly come before the meeting. This card also provides voting instructions for shares held in the in the dividend reinvestment plan. Any prior proxy or voting instruction is hereby revoked. The undersigned acknowledges receipt of Mr. Kelly's proxy statement.

1. ELECTION OF DIRECTORS:

For nominee Thomas J. Kelly []

WITHHOLD AUTHORITY to vote for Thomas J. Kelly []

2. PROPOSAL _____

FOR [] AGAINST [] ABSTAIN []

Thomas J. Kelly recommends a vote FOR his election to the board of directors and FOR/AGAINST proposals 2, etc. If you make no specification, that is how this card will be voted.

Signature (s) _____

When signing as an attorney, executor, administrators, trustee or guardian, give full title as such.

Dated: _____, 1994