CORPORATE GOVERNANCE PROVISIONS

The following items relating to corporate governance were negotiated and agreed to as part of the consideration for the Settlement (as defined in the Stipulation and Agreement of Settlement). As indicated below, certain of the items are new corporate governance enhancements that Biovail Corporation ("Biovail" or the "Company") has agreed to put in place in connection with this Settlement and others reflect corporate governance enhancements that the Company had already implemented but which are now memorialized as part of this Settlement. Biovail has agreed not to change these enhancements within three years of the Effective Date of the Settlement unless Biovail’s independent external counsel advises Biovail’s Board of Directors that such changes are necessary to comply with new legal or regulatory requirements or to meet accepted best practices in corporate governance.

A. The following are new corporate governance enhancements that Biovail has agreed to implement within six (6) months of the Effective Date of the Settlement:

1. Biovail will amend its Charter of the Board to provide that in order to transact business at a meeting of the Board, at least sixty percent (60%) of the directors present must be independent within the meaning of Section A(3) hereof.

2. All directors must attend seventy-five percent (75%) of the Board meetings per year. The Charter of the Compensation, Nominating and Corporate Governance Committee (the "CNCGC") shall be revised to provide that directors who do not meet this standard (absent compelling circumstances) will not be renominated.
3. The Charter of the Board and/or the Categorical Standards for Director Independence, or the equivalent, shall be amended to incorporate the following requirements:

   (a) The Board shall have a majority of independent directors, and the directors constituting that majority must be independent of any and all Biovail shareholders who own or control ten percent (10%) or more of Biovail's common stock.

   (b) No director shall qualify as independent unless the Board affirmatively determines that the director has no direct or indirect material relationship with the Company (e.g., either directly or indirectly as a partner, shareholder or officer of an organization that has a relationship with the Company). For purposes of this provision, a "material" relationship shall be a relationship, which, in the reasonable view of the Board, could interfere with the exercise of a director's independent judgment.

   (c) For a director to be characterized as "independent," he or she shall meet all relevant and applicable regulatory and stock exchange requirements in the United States and Canada.

4. For a minimum of five years, none of the Individual Defendants may be designated as a proxy holder in the Company's proxy circular (the "Proxy Circular").

5. Biovail intends to amend the Charter of the Board to provide for the appointment of an independent Lead Director whenever the Board has an Executive Chairman. The Lead Director shall be chosen at a meeting of the independent directors that is not attended by non-independent Board members or Biovail management.

6. The CNCGC shall be comprised entirely of independent directors within the meaning of Section A(3) hereof, and shall report directly to the Board and not to Biovail's executive officers.

7. If the Charter of the CNCGC is to be revised, such revision shall be made only with good faith consultation with qualified United States and Canadian outside professional advisors.

8. The Charter of the CNCGC shall be amended to provide that all non Board-based services conducted by the compensation consultant retained by the CNCGC shall be pre-approved by the Chairperson of the CNCGC. Such compensation consultant's mandate, the amount of fees paid to such compensation consultant for services rendered to the CNCGC, and the nature of work performed and fees paid for other services (if any) provided by such compensation consultant to Biovail shall be disclosed in appropriate public documents.

9. The Charter of the CNCGC shall be revised to provide that if the Board adopts on recommendation of the committee any corporate governance guidelines that are different from guidelines recommended by applicable securities regulators, in addition to advising the Board why the committee considers the differences to be appropriate, the proposed guidelines, a statement of how they differ from guidelines recommended by applicable
securities regulators and the reasons for the committee’s proposal to adopt the "nonconforming" guidelines shall be posted on Biovail’s website and included in the next subsequent Proxy Circular.

10. Private meetings between the Head of Internal Audit and Audit Committee shall occur at each regularly scheduled Audit Committee Meeting.

11. The Parties to this Action agree that the consultant appointed pursuant to the Final Consent Judgment in the action entitled Securities and Exchange Commission v. Biovail Corporation, et al., Case No. 1:08-cv-02979-LAK (the “SEC Action”) shall be the consultant appointed pursuant to this paragraph and that the reports and activities of that consultant shall be identical, without duplication, in this action as in the SEC Action. Biovail shall retain an independent consultant to conduct a comprehensive examination and review of:

(a) Biovail’s internal accounting controls and internal controls over financial reporting;

(b) The policies, procedures, and effectiveness of Biovail’s regulatory and compliance functions;

(c) Biovail’s training of its accounting staff concerning financial reporting and U.S. generally accepted accounting principles;

(d) Biovail’s ethics and compliance policies;

(e) Biovail’s records management and retention policies and procedures;

(f) The functioning of Biovail’s audit committee;

(g) Biovail’s policies and procedures with respect to compliance with Rule 302(b) of Regulation S-T;

(h) Biovail’s investor relations and public affairs functions; and

(i) Biovail’s policies and procedures concerning its communications with its outside auditors

The consultant shall have reasonable access to all of Biovail’s books and records and the ability to meet privately with Biovail’s personnel. Biovail shall instruct and otherwise encourage its officers, directors, and employees to cooperate fully with the review conducted by the consultant, and inform its officers, directors, and employees that failure to cooperate with the review may be grounds for dismissal, other disciplinary action, or other appropriate actions. The consultant shall have the right, as reasonable and necessary in his or her judgment, to retain, at Biovail’s expense, attorneys, accountants and other persons or firms, other than officers, directors, or employees of Biovail, to assist in the discharge of the consultant’s obligations. The consultant shall issue a report, with recommendations to the Board, as appropriate, within six months of retention.
Biovail shall adopt all recommendations contained in the consultant’s report unless Biovail advises the consultant in writing within forty-five days of receipt of the report of any recommendation that it considers to be unnecessary or inappropriate. With respect to any recommendation that Biovail considers unnecessary or inappropriate, Biovail need not adopt that recommendation at that time but shall propose in writing an alternative policy, procedure, or system designed to achieve the same objective or purpose. As to any recommendations of the consultant with respect to which Biovail and the consultant do not agree, Biovail and the consultant shall attempt in good faith to reach an agreement within ninety days of the issuance of the consultant’s report. In the event that Biovail and the consultant are unable to agree on an alternative proposal, Biovail shall abide by the determinations of the consultant. The consultant shall oversee the implementation of all recommendations and provide a report to the Board and Biovail’s Audit Committee twelve months after retention concerning the progress of the implementation.

12. The Charter of the Audit Committee shall be revised to reflect the reform set forth in Section A(10) above.

13. Commencing with 2009 stock option grants, stock options granted shall be granted on no more than two pre-set dates per year, which shall be set by the CNCGC prior to the beginning of the fiscal year in which the options are to be granted, subject to laws and regulations concerning blackout dates and undisclosed material information. The only exception to the granting of options on the two pre-set dates shall be stock options awarded in connection with the hiring of a new employee.

14. The Board shall implement a plan and require the Company’s Chief Executive Officer and Chief Financial Officer to agree in writing to a provision whereby they shall disgorge to the Company any bonus or other incentive-based or equity-based compensation (“Bonus Remuneration”) resulting directly from a Malfeasance Event, as defined herein. A Malfeasance Event occurs when, as a direct result of the intentional misconduct of the CEO or CFO, Biovail is required to publicly issue an accounting restatement to correct a material accounting error on an interim or annual financial statement included in a report on Form 6-K or Form 20-F, due to material non-compliance with any financial reporting requirement under the U.S. federal securities laws which has a direct material and adverse consequence on the trading price of Biovail shares during the twelve months following the first public issuance or filing with the U.S. Securities and Exchange Commission (“SEC”) (whichever first occurs) of the financial document embodying such error. The CNCGC will determine whether a Malfeasance Event has occurred and if that committee determines that a Malfeasance Event has occurred, the CNCGC will review the Malfeasance Event and, if and to the extent either the CEO or the CFO has profited by the receipt of Bonus Remuneration during such twelve month period as a direct result of such Malfeasance Event, the CNCGC will report to the independent directors who will review the matter and take such action as they reasonably determine on the advice of external counsel is in the best interests of Biovail and which they reasonably consider fairly addresses the matter.

15. Biovail shall disclose, annually, in all appropriate public documents, full and clear details about the number of options granted to each Named Executive Officer and Director, the
terms of the options, the number of options that have vested, the number of options that
were and were not exercised, the value of the options held at the end of the year and the
current market price of Biovail stock.

16. The relevant Minutes of the Board of Directors shall state the date of grant of options and
identify grantees, amounts, and prices of all stock options granted on that particular date.

17. The Company shall maintain all records relating to all stock option grants until at least
seven years after the expiration of the pertinent stock options.

18. All shareholder proposals (as provided for under the Company’s governing corporate
statute) shall be evaluated by a committee of at least three directors, and all members of
that committee shall be independent within the meaning of Section A(3) hereof. Such
committee shall determine, with the assistance of independent advisors, if necessary,
whether the shareholder proposal is in the best interest of the Company. The committee
shall recommend to the Board for or against such shareholder proposal and the reasons
for such recommendation and a report of the committee's vote, recommendation, and the
reasons for such recommendation shall be included in the Proxy Circular. The Board
shall recommend for or against such proposal, and a report of the Board's vote on,
recommendation, and the reasons for such recommendation shall be included in the
Proxy Circular.

19. Absent compelling circumstances, the Chairman of the Board and the Chairperson of
each Board Committee shall attend in person the Annual Meetings of Biovail's
shareholders. Subject to applicable law, extenuating circumstances, the duties of the
chairman in respect of the conduct of the meeting, confidential matters and competitive
or strategic considerations, the Chairman of the Board and the Chairperson of each Board
Committee shall make themselves available to answer shareholder questions on matters
within Board or Committee oversight. Their availability to answer such questions shall
be made known to shareholders in writing and in advance of each Annual Meeting of
Biovail shareholders.

B. The following are current practices of Biovail which are now memorialized as part
of this Settlement:

1. Biovail shall disclose, in convenient chart format, in print and on the Biovail web site, the
attendance record of each director for all Board meetings and meetings of Board
committees of which the director is a member and held during the Company's most
recently completed financial year.

2. Biovail shall disclose, in convenient chart format, in print and on the Biovail web site,
each director's committee memberships, as well as each Board committee (if any) of
which the director is Chairperson.

3. Biovail's independent directors shall hold regularly scheduled meetings at which non-
independent directors and members of management are not in attendance and Biovail
shall disclose the number of times such meetings occurred during the most recently
completed year.
4. The Board shall maintain position descriptions for the Chairman of the Board, the independent Lead Director and the Chairperson of each Board Committee. Such Position Descriptions shall be complete, accurate, detailed, clear, reviewed annually, benchmarked against regulatory requirements and best practices, published in all appropriate documents and posted on Biovail's web site.

5. An assessment of the performance and contribution of the Chairman of the Board and the Chairpersons of Biovail’s three principal Board Committees (Audit Committee, CNCGC, and Risk and Compliance Committee) shall be conducted annually, under the direction and supervision of the CNCGC, and:
   a. shall consider the applicable position description and the competencies and skills each individual director is expected to possess and apply in the discharge of his or her duties;
   b. shall provide feedback to the assessed individual; and
   c. shall be followed where appropriate by timely, corrective action.

6. Biovail shall disclose the general nature of these assessments in sufficient detail in all appropriate public documents so as to demonstrate that a robust and effective Board Chairman and Committee Chairperson assessment process is in place.

7. At least one member of the CNCGC shall have significant experience in management compensation.

8. The Charter of the CNCGC, as may be revised from time to time, shall be complete, accurate, detailed, clear, reviewed annually, benchmarked against regulatory requirements and best practices, published in all appropriate documents and posted on Biovail's web site.

9. At least once annually, the CNCGC shall select and retain an independent consultant to conduct a comprehensive review and assessment of the Company's policies, procedures and internal controls for setting compensation for Biovail's Chief Executive Officer and other members of senior management, including but not limited to the comparator group of companies being used in the setting of such compensation. The consultant shall prepare and submit a report to the CNCGC.

10. The CNCGC shall have sole authority over the engagement of independent compensation consultants, including over the appointment, compensation, oversight and retention terms and conditions of such engagements.

11. The CNCGC shall establish its compensation structures, policies and procedures consistent with current, independent and qualified views of best practices. In particular, the CNCGC shall:
a. familiarize itself with the best practice views of institutional shareholders and corporate governance institutes and associations, such as the Canadian Coalition for Good Governance, in respect of the oversight of executive compensation;

b. consult with the Committee’s independent compensation consultants regularly to review the current state of affairs on best practices in the various areas of executive and other employee compensation; and

c. undertake to adopt, implement or utilize, as necessary and appropriate, approaches, practices and tools to facilitate thoughtful and informed decision making in respect of the oversight of executive and other employee compensation, including with respect to the relative balance between annual and long-term compensation.

12. The Company shall maintain an Audit Committee (the members of which shall be independent within the meaning of section A.3 above), and the Audit Committee shall report directly to the Board and not to Biovail's executive officers.

13. All members of the Audit Committee shall have:

a. a reasonable understanding of both U.S. and Canadian generally accepted accounting principles; and

b. a reasonable understanding of how Biovail earns income and how its business transactions impact management’s choice and application of critical accounting policies, judgments and estimates.

14. The Company shall maintain an internal audit department, which shall: (a) be adequately staffed and supervised; (b) be led by a Head of Internal Audit, who shall report directly to the Audit Committee; and (c) be independent of the accounting department.

15. The Audit Committee shall recommend to the Board, CEO and CFO the appointment, evaluation, compensation (at least annually, including incentive structure) and retention of the Head of Internal Audit.

16. The Audit Committee shall review and approve the mandate, budget and resources for the Internal Audit Department.

17. The Internal Audit work plan shall be approved by the Audit Committee, including any changes to the plan and the reasons for such changes.

18. Biovail shall ensure that the functions and responsibilities carried out by the Internal Audit Department remain separate from management functions and involvement and do not include operational duties or non-Internal Audit transactions or oversight.

19. Biovail’s General Counsel shall be responsible for monitoring compliance with Biovail’s Insider Trading Policy and shall report at least quarterly to the CNCGC with respect to trading compliance matters.
20. Company will regularly update its web site:
   
a. to reflect its current corporate governance guidelines and procedures, its charters for the Board and each committee of the Board as well as the position descriptions of the Chairman of the Board, the Chairperson of each committee thereof and the Chief Executive Officer in addition to any other information that may be required by any regulatory authority including but not limited to the SEC or any exchange on which Biovail's securities trade and its policies and procedures for determining executive compensation; and

   b. to reflect any changes that were made to the earlier posted version of the respective documents.

21. The Board shall maintain a comprehensive and responsible set of assumptions, policies and procedures for determining executive compensation (e.g., company compensation levels should be compared to similar-sized businesses in similar industries or with similar profitability and annual and long-term performance goals for each executive officer of the Company should be established) which shall be posted on the Company's website and disclosed in the Proxy Circular.

22. Transparent, objective measures shall be established for the award and/or allowance of all cash and non-cash compensation, including bonuses, stock options, grants and benefits such as health care, use of company vehicles, memberships, travel for friends, relatives or personal trips, personal housing, and tax or legal services paid for or provided by the Company, which shall be disclosed in the Proxy Circular.

23. Internal controls over the issuance of Biovail stock options shall be designed, operated, tested, monitored, remedied and validated to ensure that:
   
a. the data of the recordkeeping system is secure and accurate;

   b. transactions are properly captured and reconciled;

   c. grants and awards have been appropriately and timely approved;

   d. grants and awards comply with Biovail's option plans and guidelines;

   e. the grant and exercise of insider stock options are timely reported; and

   f. Biovail's option plans and the administration thereof comply with applicable laws and regulations.

24. The Company has no current intention to change its current policy that independent directors are not eligible to receive stock options or Restricted Share Units.

25. The Company shall not backdate the grants of any stock options. The Company shall not lower the exercise prices of any stock options after they are granted, nor exchange stock
options for options with lower exercise prices, unless in accordance with applicable laws and regulatory requirements.

26. Stock options shall be granted only in accordance with all applicable laws and regulatory requirements.

27. Executive officers shall be prohibited from determining the date of any option award.