

Schedule "1"

**IN THE MATTER OF THE SECURITIES ACT,
R.S.O. 1990 c. S-5, AS AMENDED**

- and -

**IN THE MATTER OF EUGENE N. MELNYK, ROGER D. ROWAN,
WATT CARMICHAEL INC., HARRY J. CARMICHAEL
AND G. MICHAEL MCKENNEY**

**UNDERTAKING TO THE
ONTARIO SECURITIES COMMISSION**

I, Eugene N. Melnyk, am a Respondent to a Notice of Hearing dated July 28, 2006 issued by the Ontario Securities Commission (the "Commission") in this matter and have entered into a settlement agreement with Staff of the Commission dated May 16, 2007 (the "Settlement Agreement"). All of the defined terms contained in the Settlement Agreement are hereby incorporated by reference. I undertake to the Commission as follows:

1. I will continue to cooperate with the Commission and its Staff in this matter, and will appear and give truthful and accurate testimony in any investigation or proceeding under the Act relating to this matter at the request of the Commission or its Staff.
2. I will take all necessary steps within my control, including seeking to obtain the agreement of the trustees of the New Trusts (the "New Trustees") and, to the extent necessary, the agreement of the Trustees, to ensure that:
 - (A) the New Trustees will establish and maintain brokerage accounts at no more than two IDA member firms in relation to the investment companies owned by the New Trusts. These firms will not include either Watt Carmichael or BMO Nesbitt Burns, will be independent of Biovail and, in

particular, will not employ any officer, director or member of management of Biovail. The Biovail securities owned by the New Trusts will be held in those accounts;

- (B) the New Trusts (including any other trust established by, on behalf of, or for the benefit of, me or any associate (as that term is defined in the Act) of mine that holds Biovail securities or derivatives in respect of Biovail securities) will provide an undertaking in form and content acceptable to Staff or the Commission that the New Trusts will treat themselves as if they were insiders of Biovail under the Act and file insider reports under section 107 of the Act in respect of all transactions by the New Trusts in Biovail securities or in derivatives in respect of Biovail securities. The form and content of the initial insider reports of the New Trusts must be acceptable to Staff or the Commission. The undertaking will be signed by authorized representatives of the New Trusts. If the New Trusts do not give this undertaking, I will make such other arrangements as may be acceptable to Staff or the Commission.
 - (C) to the extent possible the steps referred to in paragraphs (A) and (B) above will be completed within 60 days of the date of the order approving the Settlement Agreement or such further period as Staff or the Commission may authorize.
3. Within 30 days of the date of the order approving the Settlement Agreement or such other date as Staff or the Commission may authorize (the "Deadline"), I will file insider reports under MI 55-103 on the System for Electronic Disclosure by Insiders ("SEDI") under my name disclosing the existence and material terms of the Trusts and the New Trusts (the "Offshore Trust Arrangements") as of February 28, 2004 in accordance with the terms set out in sections 1, 2 and 3 of Schedule "B" to the Settlement Agreement (or in any other manner approved in advance by Staff or the Commission).

4. By the Deadline, I will take all necessary steps within my control to cause Biovail to file a press release on SEDAR as described below. If Biovail does not file this press release, I will make such other arrangements as may be acceptable to Staff or the Commission. The press release's form and content must be acceptable to Staff or the Commission. The press release will describe:

- (A) the terms of the Settlement Agreement;
- (B) the existence and material terms of the Offshore Trust Arrangements;
- (C) the fact that the Offshore Trust Arrangements include trusts that have been settled by me;
- (D) the fact that insider reports in relation to the Offshore Trust Arrangements can be found on SEDI under my name; and
- (E) the terms of the call options and other derivatives in respect of Biovail securities held by the Trusts on February 28, 2004 (including the number of underlying securities and the range of exercise prices and expiry dates).

5. By the Deadline, I will:

- (A) file a comprehensive report with the Office of the Secretary to the Commission based on information available to me after due inquiry containing a list of all trades in Biovail common shares and Biovail call options and other derivatives in respect of Biovail securities entered into by the Trusts and the New Trusts for the period from January 1, 2002 to the Deadline (the "Report"); and
- (B) take all necessary steps within my control to ensure that Biovail issues a press release in respect of the Report and files a copy of the press release

on SEDAR with a copy of the Report attached as an appendix. If Biovail does not file this press release, I will make such other arrangements as may be acceptable to Staff or the Commission.

6. For the purposes of this undertaking, a “Material Amendment” is defined as:
- (A) a termination of any of the Offshore Trust Arrangements or any similar arrangement established by me, on my behalf of or for my benefit or that of any of my associates (as that term is defined in the Act) (an “Alternate Trust Arrangement”) for so long as Biovail securities or derivatives in respect of Biovail securities are held, directly or indirectly, in such Offshore Trust Arrangement or Alternate Trust Arrangement;
 - (B) any entering into by me of an Alternate Trust Arrangement in respect of Biovail securities or derivatives in respect of Biovail securities;
 - (C) any transaction involving, directly or indirectly, Biovail securities or derivatives in respect of Biovail securities entered into by a Trust, New Trust or Alternate Trust Arrangement as a result of a recommendation by me or as a result of an opportunity provided by me;
 - (D) any change in the holdings of a New Trust (or any successor thereto) that represents an acquisition or disposition of 5% or more of the aggregate number of the Biovail common shares held by that New Trust (or any successor thereto); or
 - (E) any change in the holdings of a New Trust (or any successor thereto) that represents in the aggregate, over a 12-month period, a change of 10% or more of the aggregate number of the Biovail common shares held by that New Trust (or any successor thereto) as of the beginning of such 12 month period;

If, however, I do not know, and in the exercise of reasonable diligence could not have known of a change described in clauses (D) and (E) above, such change will not be considered a Material Amendment until such time as I know or in the exercise of reasonable diligence could be expected to know of such change.

7. By the Deadline, I will file insider reports under MI 55-103 on SEDI under my name disclosing each Material Amendment that occurred between February 28, 2004 and the Deadline in accordance with terms set out in section 4 of the Schedule "B" to the Settlement Agreement (or in any other manner approved in advance by Staff or the Commission).

8. If at any time after the Deadline there is a Material Amendment, I will within 10 days (or such shorter period as may be prescribed) file insider reports under MI 55-103 on SEDI under my name disclosing the Material Amendment in accordance with terms set out in section 5 of the Schedule "B" to the Settlement Agreement (or in any other manner approved in advance by Staff or the Commission).

9. I will take all necessary steps within my control to ensure that future Biovail disclosure documents, including Biovail proxy circulars, will describe the existence and material terms of the Offshore Trust Arrangements in which Biovail securities are held, the number of Biovail common shares owned by the New Trusts and will state that the Offshore Trust Arrangements in which Biovail securities are held are trusts established by me.

10. I will take all necessary steps within my control to arrange for the New Trustees to provide me with the information required to fulfill my obligations under paragraphs 3, 4, 5, 6, 7, 8 and 9 above. If the Settlement Agreement is approved by the Commission, I will provide a copy of the Settlement Agreement to the New Trustees.

11. To the extent that any New Trust (or its successor) beneficially owns, directly or indirectly, or exercises control or direction (or shared control or direction) of 10% or more of any class of the securities of Biovail, I will, upon becoming aware of such fact take all necessary steps within my control to ensure that the New Trustees comply with all applicable requirements contained in Ontario securities legislation, including compliance with insider reporting requirements under section 107 of the Act and MI 55-103 and early warning requirements under Ontario securities law.

12. On a going-forward basis, I will not directly or indirectly exercise control or direction (including shared control or direction) over any Biovail securities (or derivatives in respect of Biovail securities) owned or held by the New Trusts (or their successors) in any manner whatsoever without filing insider reports under section 107 of the Act. For greater clarity, I acknowledge on a going-forward basis that I will have exercised control or direction (including shared control or direction) over the Biovail securities (or derivatives in respect of Biovail securities) for the purposes of section 107 of the Act if I:

- (A) directly or indirectly exercise voting control over such Biovail securities or attempt to influence voting decisions by the New Trustees (or their successors) regarding Biovail securities in any manner whatsoever. However, I will not be required to file an insider report solely because Biovail has sent out a management information circular in connection with a solicitation of proxies and I am a member of Biovail's management or its Board of Directors at the time that the circular is sent;
- (B) directly or indirectly exercise investment power over such Biovail securities (or derivatives in respect of Biovail securities) or attempt to influence investment decisions regarding Biovail securities (or derivatives in respect of Biovail securities) by the New Trustees (or their successors) in any manner whatsoever, including influencing decisions to buy, sell or

transfer such Biovail securities or (derivatives in respect of Biovail securities); or

- (C) directly or indirectly request loans or cash payments from the Trustees or the New Trustees (or their successors) or attempt to influence the Trustees or the New Trustees (or their successors) to make loans or cash payments to me or my associates or any other person.

13. Notwithstanding paragraph 12 above, I may:

- (A) make good faith recommendations to the Trustees and the New Trustees regarding donations to charitable endeavours or causes or distributions to family members or others who are beneficiaries of the Trusts or the New Trusts (other than myself); and
- (B) give the Trustees and the New Trustees the opportunity to sell Biovail securities as part of a secondary offering.

These actions, if acted upon by the Trustees or the New Trustees, will constitute a Material Amendment, and I will file an insider report under MI 55-103 disclosing them as set out in paragraph 8 above.

14. By the Deadline, I will send a letter to the IDA in the form attached as Schedule “C” to the Settlement Agreement, apologizing for the conduct summarized under the heading “Communications with IDA Staff” in the Settlement Agreement.

15. My obligations contained in paragraphs 8, 9, 11 and 13 above and the obligations of the New Trusts contained in the undertaking referred to in paragraph 2(B) above will only apply to me or the New Trusts as long as the Offshore Trust Arrangements or the Alternate Trust Arrangements hold Biovail securities or derivatives in respect of Biovail securities and I am an insider of Biovail or my direct and indirect holdings of Biovail

securities, combined with the Biovail securities held by the Offshore Trust Arrangements and the Alternate Trust Arrangements represent more than 10% of any class of the outstanding shares of Biovail.

Signed: “Eugene N. Melnyk”
Eugene N. Melnyk

Date: May 17, 2007