

BIOVAIL CORPORATION INTERNATIONAL

NOTICE OF SPECIAL MEETING OF SHAREHOLDERS

NOTICE is hereby given that a Special Meeting (the "Meeting") of the Shareholders of Biovail Corporation International (the "Corporation") will be held at the head office of the Corporation located at 2488 Dunwin Drive, Mississauga, Ontario, L5L 1J9 on December 30, 1999 at the hour of 10 o'clock a.m., for the following purposes:

1. To consider and, if deemed advisable to approve, a special resolution of the shareholders of the Corporation authorizing an amendment to the Corporation's articles to subdivide each issued and outstanding common share of the Corporation into two common shares of the Corporation.
2. To consider and, if deemed advisable to approve, a special resolution of the shareholders of the Corporation authorizing a change of the name of the Corporation from "Biovail Corporation International" to "Biovail Corporation".
3. To consider and, if deemed advisable to approve, a special resolution of the shareholders of the Corporation authorizing an amendment to the Corporation's articles to increase the authorized number of common shares from 120,000,000 to an unlimited number of common shares.
4. To consider and, if deemed advisable to approve, a resolution of the shareholders of the Corporation authorizing an amendment to the current by-laws of the Corporation to change the quorum requirements for meetings of shareholders to require the presence of two shareholders of the Corporation present in person holding or representing at least 25% of the outstanding shares of the Corporation.
5. To transact such further and other business as may properly come before the Meeting or any adjournment or adjournments thereof.

In order to be effective, the special resolutions set out in paragraphs 1, 2 and 3 above require the approval of 66 $\frac{2}{3}$ % of the votes cast at the Meeting. The resolution set out in paragraph 4 above requires the approval of a majority of the votes cast at the Meeting.

DATED the 1st day of December, 1999.

By Order of the Board

(Signed) KENNETH CANCELLARA
Secretary

NOTE: If you are the holder of shares of the Corporation and are not able to be present personally at the Meeting, kindly fill in, date, sign and return, in the envelope provided for that purpose, the enclosed form of proxy in respect of the shares owned by you at any time up to 5:00 p.m. (Toronto time) on the last business day preceding the date of the Meeting (or any adjournment thereof) or deposit it with the Chairman of the Meeting prior to the commencement of the Meeting or any adjournment thereof. A Management Information Circular accompanies this notice.

BIOVAIL CORPORATION INTERNATIONAL
MANAGEMENT INFORMATION CIRCULAR
SOLICITATION OF PROXIES

This Management Information Circular is furnished in connection with the solicitation by the management of Biovail Corporation International (the "Corporation") of proxies to be used at a Special Meeting of Shareholders of the Corporation (the "Meeting") to be held on the 30th day of December, 1999, at the time and place and for the purposes set forth in the accompanying Notice of Meeting. It is expected that the solicitation will be primarily by mail. Proxies may also be solicited personally by regular employees of the Corporation at nominal cost. The cost of solicitation by management will be borne by the Corporation.

APPOINTMENT AND REVOCATION OF PROXIES

The persons named in the enclosed form of proxy are directors and officers of the Corporation. **A shareholder desiring to appoint some other person to represent him at the Meeting may do so** either by inserting such person's name in the blank space provided in the applicable form of proxy or by completing another proper form of proxy and, in either case, delivering the completed proxy to the Secretary of the Corporation or returning it by mail in the envelope provided for that purpose before the time of holding the Meeting.

In addition to revocation in any other manner permitted by law, a proxy may be revoked by instrument in writing executed by the shareholder or by his attorney authorized in writing or, if the shareholder is a corporation, under its corporate seal or by an officer or attorney thereof duly authorized, and deposited either at the registered office of the Corporation at any time up to and including the last business day preceding the day of the Meeting, or any adjournment thereof, at which the proxy is to be used or with the chairman of such Meeting on the day of the Meeting, or adjournment thereof, and upon either of such deposits the proxy is revoked.

EXERCISE OF DISCRETION BY PROXIES

The persons named in the enclosed form of proxy will vote the shares in respect of which they are appointed for or against in accordance with the direction of the shareholder appointing them. In the absence of any direction to the contrary, such shares will be voted **FOR** the special resolution authorizing an amendment to the Corporation's articles to subdivide each issued and outstanding common share of the Corporation on the basis of two common shares for each one common share of the Corporation held, as referred to under the heading "Subdivision of Common Shares" in this Management Information Circular; **FOR** the special resolution authorizing a change of the name of the Corporation to "Biovail Corporation", as referred to under the heading "Change of Name" in this Management Information Circular; **FOR** the special resolution authorizing an increase in the authorized number of common shares from 120,000,000 to an unlimited number of common shares, as referred to under the heading "Increase in Authorized Capital"; and **FOR** the resolution authorizing an amendment to the Corporation's current by-law to change the quorum requirements for meetings of shareholders to two shareholders of the Corporation present in person holding or representing at least 25% of the outstanding shares of the Corporation, as referred to under the heading "Change in Quorum Requirements".

The enclosed form of proxy confers discretionary authority upon the persons named therein with respect to amendments or variations to the matters identified in the Notice of Meeting and with respect to other matters which may properly come before the Meeting. At the time of printing this circular, the management of the Corporation knows of no such amendments, variations or other matters to come before the Meeting. However, if any such amendment, variation or other matter properly comes before the Meeting, it is the intention of the persons named in the accompanying form of proxy to vote on such other business in accordance with their judgment.

VOTING SHARES

The authorized capital of the Corporation consists of 120,000,000 common shares (the "Common Shares") and an unlimited number of Class A Special Shares. As at November 26, 1999, the Corporation had outstanding no Class A Special Shares and an aggregate of 30,977,569 Common Shares, each carrying the right to one vote per share which may be given in person or by proxy. The record date for the determination of shareholders

entitled to receive notice of the Meeting has been fixed as November 26, 1999. In accordance with the provisions of the Business Corporations Act (Ontario), the Corporation will prepare a list of holders of Common Shares on such record date. Each holder of Common Shares named in the list will be entitled to one vote per Common Share shown opposite his name on the list at the Meeting except to the extent that (a) the shareholder has transferred any of his shares after the date on which the list was prepared and (b) the transferee of those shares produces properly endorsed share certificates or otherwise establishes that he owns such shares and demands, not later than the close of business on the second business day before the Meeting, that his name be included in the list before the Meeting, in which case the transferee is entitled to vote his shares at the Meeting. Holders of shares of the Corporation issued after November 26, 1999 will be entitled to vote such shares at the Meeting, provided such holders are registered on the records of the Corporation or its transfer agents, CIBC Mellon Trust Company or ChaseMellon Shareholder Services, LLC, prior to the second day before the Meeting.

As currently provided in the by-laws of the Corporation, a quorum for the transaction of business at the Meeting is the presence of two shareholders of the Corporation, present in person, each being entitled to vote thereat or a duly appointed proxyholder or representative for a shareholder so entitled, holding or representing at least 51% of the outstanding shares of the Corporation.

As at the date hereof, the only persons or companies who, to the knowledge of the directors and senior officers of the Corporation, beneficially own, directly or indirectly, or exercise control or direction over, more than ten percent (10%) of the issued and outstanding shares of the Corporation are as follows:

| <u>Name</u> | <u>Number of Common Shares</u> | <u>Percentage of All Outstanding Voting Shares</u> |
|---------------------|------------------------------------|--|
| Eugene Melnyk | 6,316,127 ⁽¹⁾ | 20.4% |

(1) Mr. Melnyk also has options to purchase 1,065,000 Common Shares, of which options to purchase 495,000 Common Shares have vested.

SUBDIVISION OF COMMON SHARES

The shareholders are being asked to consider and, if thought advisable to approve, a special resolution authorizing an amendment to the Corporation's articles to subdivide the issued and outstanding Common Shares on a two-for-one basis such that each shareholder of the Corporation will receive an additional Common Share for every one Common Share held.

The form of special resolution in connection with the proposed subdivision is set forth in Schedule "A" attached to this information circular. To be effective, the special resolution must be approved by 66 $\frac{2}{3}$ % of the votes cast at the Meeting.

In light of the continued growth of the Corporation and the continued increase in the market price of the Common Shares, the board of directors of the Corporation have concluded that it would be in the best interests of the Corporation and its shareholders to subdivide the issued and outstanding Common Shares on a two-for-one basis. The directors believe that the increased number of Common Shares available for purchase and sale at lower prices following the proposed subdivision will make the common shares more affordable for employees and retail investors, and will enhance the marketability of the Common Shares. The subdivision will not change any shareholder's proportionate interest in the equity of the Corporation, nor will it affect the aggregate stated capital of the Common Shares.

If the proposed special resolution is approved by shareholders, the amendment to the Corporation's articles will become effective upon the issuance of a Certificate of Amendment under the Business Corporations Act (Ontario) (the "Effective Date"), and it is expected that the outstanding Common Shares will begin trading on a sub-divided basis on The Toronto Stock Exchange (the "TSE") at the opening of business on January 10, 2000 or such earlier or later date as may be determined by the board of directors of the Corporation in accordance with the rules of the TSE. The Common shares will begin trading on a sub-divided basis on the New York Stock Exchange (the "NYSE") at the opening of business on the day after the additional common shares resulting from the subdivision are distributed to shareholders.

It will not be necessary for shareholders to surrender their existing share certificates, and certificates representing presently outstanding Common Shares should be retained by the holders thereof. Share certificates representing the additional Common Shares resulting from the subdivision will be issued to shareholders of record as of the close of business on or about January 12, 2000 (the "Record Date") and will be distributed to such shareholders approximately seven days after the Record Date (the "Mailing Date"). The additional share certificates to be issued to such shareholders, together with share certificates currently held by such shareholders, will then represent their total holdings.

In accordance with the rules of the TSE, it is expected that trading in the Common Shares on a subdivided basis will commence on the TSE on or about January 10, 2000, being two trading days prior to the Record Date and will commence on the NYSE on the day immediately following the Mailing Date.

The subdivision of the Common Shares will not affect the aggregate adjusted cost base to a holder of all of his Common Shares for purposes of Canadian federal income tax. However, the adjusted cost base per share will be reduced by one-half. There will not be any other tax consequences to holders of Common Shares for purposes of the Income Tax Act (Canada).

In general, for United States federal income tax purposes, (a) no gain or loss will be recognized by a holder on the receipt of Common Shares as a result of the subdivision, (b) a holder's basis in the Common Shares held immediately prior to the subdivision will be allocated proportionately among the original shares and the additional shares issued as a result of the subdivision, and (c) the holding period of the additional shares received by a holder will include the period during which the original shares owned immediately prior to the subdivision were held.

CHANGE OF NAME

The shareholders are being asked to consider and, if thought advisable to approve, a special resolution authorizing a change of the corporate name of the Corporation from "Biovail Corporation International" to "Biovail Corporation". The board of directors feels that for convenience purposes, it would be in the best interests of the Corporation to approve the proposed name change.

The form of special resolution in connection with the proposed name change is set forth in Schedule "B" attached to this information circular. To be effective, the special resolution must be approved by 66 $\frac{2}{3}$ % of the votes cast at the Meeting.

INCREASE IN AUTHORIZED CAPITAL

The shareholders are being asked to consider and, if thought advisable to approve, a special resolution authorizing an increase in the authorized number of common shares of the Corporation to an unlimited number of Common Shares. The articles of the Corporation currently provide that the authorized capital of the Corporation consists of 120,000,000 common shares and an unlimited number of Class A Special Shares. The board of directors of the Corporation believe that it would be in the best interests of the Corporation to change the authorized number of common shares of the Corporation from 120,000,000 to an unlimited number in order to provide the Corporation with as much flexibility as possible.

The form of special resolution in connection with the proposed increase in the authorized number of common shares of the Corporation is set forth in Schedule "C" attached to this information circular. To be effective, the special resolution must be approved by 66 $\frac{2}{3}$ % of the votes cast at the Meeting.

CHANGE IN QUORUM REQUIREMENTS

The shareholders are being asked to consider and, if thought advisable to approve, a resolution authorizing a change in the quorum requirements for meetings of shareholders to the presence of two shareholders of the Corporation, present in person, each being entitled to vote thereat or a duly appointed proxyholder or representative for a shareholder so entitled, holding or representing at least 25% of the outstanding shares of the Corporation. The current by-laws provide that a quorum for the transaction of business at a meeting of shareholders is the presence of two shareholders of the Corporation, present in person, each being entitled to vote thereat or a duly appointed proxyholder or representative for a shareholder so entitled, holding or

representing at least 51% of the outstanding shares of the Corporation. The board of directors of the Corporation believes that it would be in the best interests of the Corporation to change the quorum requirements for administrative purposes in order to ensure that a quorum will be present at all properly called meetings of shareholders. The current quorum requirements which require two shareholders holding at least 51% of the outstanding shares of the Corporation is quite high and could present a problem in obtaining a quorum for meetings of shareholders.

The form of resolution in connection with the proposed change in quorum requirements is set forth in Schedule "D" attached to this information circular. To be effective, the resolution must be approved by a majority of the votes cast at the Meeting.

GENERAL

Unless otherwise stated, information contained herein is given as of December 1, 1999. Management knows of no matters to become before the Meeting other than the matters referred to in the Notice of Meeting.

The Board of Directors of the Corporation has approved the contents of this Management Information Circular and its sending to the shareholders.

DATED the 1st day of December, 1999.

(Signed) KENNETH CANCELLARA
Secretary

SCHEDULE "A"

SPECIAL RESOLUTION RE: SUB-DIVISION OF COMMON SHARES

WHEREAS it is desirable to subdivide the issued and outstanding common shares of the Corporation on a two-for-one basis;

NOW THEREFORE BE IT RESOLVED AS A SPECIAL RESOLUTION THAT:

1. the Articles of the Corporation be amended by adding the following thereto:
"the common shares of the Corporation are hereby subdivided on a two-for-one basis, with the effect that for each common share of the Corporation issued and outstanding at the close of business on January 12, 2000, there shall be issued two common shares;"
2. any director or officer of the Corporation be and he is hereby authorized and directed to sign all such documents and to do all things necessary or desirable to effect such amendment, including, without limitation, delivery of articles of amendment in prescribed form to the Director appointed under the Business Corporations Act (Ontario) (the "Director"); and
3. the directors of the Corporation may revoke the foregoing resolution without further approval of the shareholders of the Corporation at any time prior to the issue by the Director of a Certificate of Amendment relating thereto.

SCHEDULE "B"

SPECIAL RESOLUTION RE: CHANGE OF NAME

WHEREAS it is desirable to change the name of the corporation from "Biovail Corporation International" to "Biovail Corporation";

NOW THEREFORE BE IT RESOLVED AS A SPECIAL RESOLUTION THAT:

1. the name of the Corporation be changed from "Biovail Corporation International" to "Biovail Corporation";
2. any director or officer of the Corporation be and he is hereby authorized and directed to sign all such documents and to do all things necessary or desirable to effect such amendment, including, without limitation, delivery of articles of amendment in prescribed form to the Director appointed under the Business Corporations Act (Ontario) (the "Director"); and
3. the directors of the Corporation may revoke the foregoing resolution without further approval of the shareholders of the Corporation at any time prior to the issue by the Director of a Certificate of Amendment relating thereto.

SCHEDULE "C"

SPECIAL RESOLUTION RE: INCREASE IN AUTHORIZED CAPITAL

WHEREAS it is desirable to increase the authorized number of common shares of the Corporation from 120,000,000 to an unlimited number of common shares;

NOW THEREFORE BE IT RESOLVED AS A SPECIAL RESOLUTION THAT:

1. the Articles of the Corporation be amended to increase the authorized capital of the Corporation from 120,000,000 common shares to an unlimited number of common shares;
2. any director or officer of the Corporation be and he is hereby authorized and directed to sign all such documents and to do all things necessary or desirable to effect such amendment, including, without limitation, delivery of articles of amendment in prescribed form to the Director appointed under the Business Corporation Act (Ontario) (the "Director"); and
3. the directors of the Corporation may revoke the foregoing resolution without further approval of the shareholders of the Corporation at any time prior to the issue by the Director of a Certificate of Amendment relating thereto.

SCHEDULE "D"

RESOLUTION RE: CHANGE IN QUORUM REQUIREMENTS

WHEREAS it is desirable to amend the by-laws of the Corporation to change the quorum requirements for meetings of shareholders of the Corporation;

NOW THEREFORE BE IT RESOLVED AS A RESOLUTION THAT:

1. the first paragraph of Section 9.10 of By-Law No. A, being a by-law relating generally to the conduct of the affairs of the Corporation be deleted and the following substituted in its stead:

“Subject to paragraph 9.20, two persons present in person, each being a shareholder entitled to vote at the meeting or a duly appointed proxyholder for an absent shareholder entitled to vote at the meeting shall be a quorum at any meeting of the shareholders for the choice of a chairman of the meeting and the adjournment of the meeting; for all other purposes, a quorum at any meeting of shareholders unless a greater number is required to be present or a greater number of shares are required to be represented at the meeting by the Act or by the articles or any other by-law shall be persons present in person, each being a shareholder entitled to vote at the meeting or a duly appointed proxyholder for an absent shareholder, entitled to vote at the meeting not being less than two in number and holding or representing by proxy not less than 25% of the total number of the issued shares of the Corporation for the time being enjoying voting rights at such meeting. If at any meeting, the requisite quorum is not present within half an hour after the time appointed for the meeting, then the meeting shall be adjourned to such date not being less than 10 days later and to such time and place as may be announced by the chairman at the meeting and subject to paragraph 9.18, it shall not be necessary to give notice of the adjourned meeting.”
2. any director or officer of the Corporation be and he is hereby authorized and directed to sign all such documents and to do all things necessary or desirable to effect such amendment; and
3. the directors of the Corporation may revoke the foregoing resolution without further approval of the shareholders of the Corporation at any time.