

Mike Pearson Is On His Way Out Of Valeant, Former CFO Refuses To Leave Board



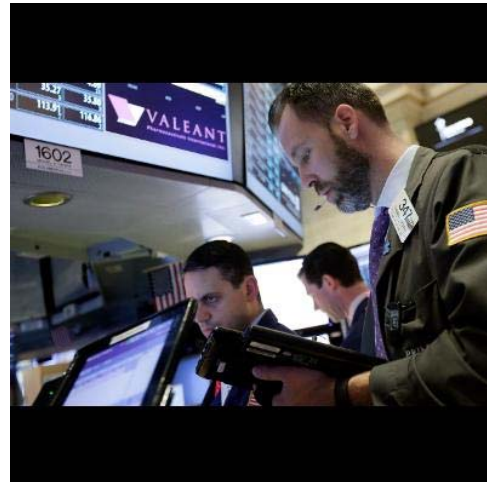
Nathan Vardi, FORBES STAFF
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Mike Pearson, the former management consultant who built Valeant Pharmaceuticals, is on his way out as CEO amid more drama at the embattled drug company, Valeant announced on Monday.

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Valeant said it had initiated a search for a new chief executive officer and that Pearson, a former billionaire, will continue in the role until a replacement is found. In making the announcement, Valeant said that it had asked for the resignation of board member Howard Schiller, Valeant's former chief financial officer, but that Schiller had refused to give up his board seat.

Valeant said that the company's board, which has set up a committee to investigate the company's dealings with a shuttered affiliated pharmacy, and its audit & risk committee revealed "improper conduct" of the company's former chief financial officer that had resulted in the "provision of incorrect information to the committee and the company's auditors," contributing to the misstatement of financial results. Valeant also said that it had "determined that the tone at the top of the organization and the performance-based environment at the company, where challenging targets were set and achieving those

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targets was a key performance expectation, may have been contributing factors resulting in the company's improper revenue recognition.”

Valeant said the financial misstatements that had been identified would reduce previously reported fiscal year 2014 revenue by \$58 million, net income attributable to Valeant by \$33 million, and basic and diluted earnings per share by 9 cents. A substantial part of the earnings impact would reverse in the first quarter of 2015, the company said. Valeant said its financial statement for 2014 and the first quarter of 2015 should no longer be relied upon and will be restated.

Amid the new developments, Valeant announced that hedge fund billionaire Bill Ackman would be joining the board of directors of Valeant. Ackman's Pershing Square Capital Management hedge fund is Valeant's second-biggest shareholder with a 9% stake in the company. Pershing Square already has a board seat at Valeant, belonging to the hedge fund's vice chairman, which it obtained recently. Pershing Square will now have two board seats at the company.



Michael "Mike" Pearson, chief executive officer of Valeant Pharmaceuticals International Inc., Kevin Van Paassen/Bloomberg
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Valeant's announcement on Monday is yet another dramatic turning point at the company that has seen its stock price drop by some 90% since its August highs. Ackman has long been a public admirer of Pearson and lavished praise on the CEO as Ackman teamed up with Pearson on a takeover effort and later became a major shareholder in Valeant.