

**RULING BY THE CONDUCT REVIEW COMMITTEE (the "Committee")**  
**OF THE**  
**AMERICAN SADDLEBRED HORSE AND BREEDERS ASSOCIATION INC.**  
**(the "Association")**

IN THE MATTER OF:

KATHY PETERSON-HERBST CONCERNING ALLEGED CODE OF CONDUCT VIOLATIONS  
IN THE SALE OF AN AMERICAN SADDLEBRED HORSE PURPORTED TO BE "COOL CAT  
COMMANDER" AND WITH RESPECT TO THE PURPORTED LEASE AGREEMENT OF THE  
STALLION "I'M SPOTTS ILLUSTRATED"

Complaint #2022-1014B; #2023-0202

<u>Complainant (and Respondent):</u> Holly Armstrong 1600 E. Cohoctah Rd. Howell MI 48855 <a href="mailto:mrsaddlebreds@gmail.com">mrsaddlebreds@gmail.com</a> 810-599-0747	<u>Respondent (and Complainant):</u> Kathy Peterson a/k/a Kathy Peterson-Herbst 19948 Durango Sherrill IA 52073 <a href="mailto:naughtynaranda@aol.com">naughtynaranda@aol.com</a> 563-590-9820
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**Overview**

The first matter involves the alleged conduct of Peterson-Herbst in connection with the sale of an American Saddlebred horse to Armstrong. Peterson-Herbst represented the horse as being Cool Cat Commander (ASHBA #128249G DOB 7/13/2015), but further investigation revealed the horse to be an unregistered American Saddlebred. Armstrong alleged fraud, misrepresentation, falsifying documents, and forgery in violation of the Code of Conduct. The Registry Rules Committee became involved due to the potential need for rule waivers if the horse was to be registered. The second complaint relates to the American Saddlebred stallion "I'm Spotts Illustrated"; Peterson-Herbst alleges that Armstrong violated a Lease Agreement between the parties. Both complaints had been stayed pending the outcome of a lawsuit filed by Armstrong, with counterclaims by Peterson-Herbst. That lawsuit was resolved in Armstrong's favor.

**Factual Background**

In May 2022, Peterson-Herbst contacted Armstrong about a pinto gelding she had for sale. She represented the horse as being Cool Cat Commander (ASHBA #128249G DOB 7/13/2015), with the barn name of "Hocus Pocus" (the "Horse"). She stated that a previous owner had lost the registration certificate, but that she had the affidavit of lost certificate and back transfers. Armstrong proceeded with the transaction, paying \$6,000 for the Horse and taking possession of him and the paperwork for transfers and lost certificate on June 4, 2022.

Armstrong proceeded to have the transfers processed with the Registry. Replacing a registration certificate requires four (4) color photos, as does the original application for registration of a pinto American Saddlebred. When the current photos were provided to the Registry, they were compared to the photos on file and they did not match Cool Cat Commander.

Armstrong investigated further, finding that the Horse's microchip was assigned to a horse identified to the veterinarian as "Hocus Pocus." Previous owners only knew the Horse as Hocus Pocus and had never heard of Cool Cat Commander. DNA testing established that the Horse was not Cool Cat Commander.

Armstrong alleges that the paperwork that accompanied the Horse was forged and/or altered and that Peterson-Herbst had in her possession paperwork showing the Horse had never been registered.

Peterson-Herbst responded to the complaint, but only to assert that she was basing her representations on what had been told to her by the previous owner.

The fraud and misrepresentation complaint regarding the Horse was referred to the Registry Rules Committee due to the potential for remedies outside the scope of the Conduct Review Committee's jurisdiction, however, because a lawsuit was subsequently filed, the matter was stayed.

In November 2022, Peterson-Herbst filed an informal complaint against Armstrong with the Association alleging breach of a Lease Agreement, dated May 3, 2018, of the American Saddlebred stallion "I'm Spotts Illustrated" (ASHBA #111465). Armstrong responded that the Lease Agreement was a forgery (not her signature). Peterson-Herbst had filed a Registry Transfer Report, dated May 3, 2018, for I'm Spotts Illustrated transferring Peterson-Herbst's sole ownership to the joint ownership of Peterson-Herbst and Armstrong. In February 2023, Peterson-Herbst filed a Code of Conduct complaint alleging that Armstrong filed Stallion Service Reports that had the dates changed to avoid payment of stud fees pursuant to the Lease Agreement.

Suit was filed by Armstrong against Peterson-Herbst in the Iowa District Court for Dubuque County on November 10, 2022 for fraud, misrepresentation, defamation, and punitive damages in connection with the sale and purchase of the Horse. Peterson-Herbst filed a counterclaim alleging that Armstrong had breached the Lease Agreement for I'm Spotts Illustrated and for defamation.

After a trial held in June 2024, the jury found:

- in favor of Armstrong on the Cool Cat Commander case, awarding damages of \$11,500,
- in favor of Armstrong on the forgery of the I'm Spotts Illustrated Lease, awarding damages of \$11,000,
- in favor of Armstrong on her defamation claim, awarding damages of \$16,000,
- in favor of Armstrong that there was no valid lease of I'm Spotts Illustrated (Peterson-Herbst's breach of contract counterclaim); claim dismissed,
- in favor of Armstrong (Peterson-Herbst's defamation counterclaim); claim dismissed,
- in favor of Armstrong that the conduct of Peterson-Herbst "constituted willful and wanton disregard for the rights or safety of another," awarding \$38,000 in punitive damages; and
- in favor of Armstrong for court costs.

The period for appeal in the Iowa case expired with no appeal taken by Peterson-Herbst. Armstrong informed the Committee that the Horse had been sold as unregistered, and accordingly, no Registry rule waivers are needed.

The complaints are now before the Committee for determination of whether Code of Conduct violations occurred and, if so, determine a recommended sanction.

**Further facts, investigations, deliberations.**

The Committee makes note of the Registry Rules Committee's ruling against Peterson-Herbst in the matter of Tektonek's Blue Wine KPHSF (ASHBA #132045S), wherein she was found to have falsified the date of birth on the application for registration. Peterson-Herbst was fined \$10,000.00 and suspended from both Registry business and the Association until such time the fine is paid. To date, that fine has not been paid.

**Conduct Review Committee Findings:**

At a meeting of the Committee held on August 2, 2024, via Zoom, at which a quorum was present, the Committee found as follows:

1. The Committee is bound by the rulings and factual findings of the Iowa District Court.
2. Peterson-Herbst violated the Association's Code of Conduct when she sold the Horse and knowingly misrepresented him as being a registered American Saddlebred horse.
3. Peterson-Herbst violated the Association's Code of Conduct when she presented a forged document to the Association in support of an alleged Code of Conduct violation.
4. The complaint filed by Armstrong is upheld.
5. The complaint filed by Peterson-Herbst is dismissed.

**Conduct Review Committee Recommendations/Referral to the Board of Directors:**

Given that the conduct of Kathy Peterson-Herbst has been found by a court of law to have been "willful and wanton," the Committee concludes that the conduct was intentional and designed to harm another member of the Association.

The Committee recommends that Kathy Peterson-Herbst be permanently expelled from the membership of the Association and that this ruling document be published on the Association's website.

Respectfully submitted by the Committee on August 2, 2024.

Betsy Boone  
Alan Rich  
Judy Werner  
Rachel Seifert, Chair

**Board of Directors Finding and Sanctions:**

At a meeting of the Board of Directors of the Association held on August 5, 2024, the Board of Directors affirmed the ruling of the Conduct Review Committee and expelled and permanently banned Kathy Peterson-Herbst from membership in the Association. This ruling document, together with the Iowa District Court orders, shall be posted on the Association's website.