

IN THE UNITED STATES DISTRICT COURT
FOR THE DISTRICT OF MINNESOTA
Civil No. 08-5348 (ADM/JSM)

UNITED STATES OF AMERICA)
)
Plaintiff,)
)
v.)
)
THOMAS JOSEPH PETTERS, et. al.,)
)
Defendants.)

**AFFIDAVIT OF CRAIG OBERLANDER REGARDING
PURCHASE AND OPTION AGREEMENT RELATING TO STOCK OF
REDSTONE AMERICAN GRILL, INC.**

STATE OF MINNESOTA)
) ss.
COUNTY OF HENNEPIN)

I, Craig Oberlander, (“Affiant”), do hereby state and allege as follows:

1. I am a resident of Minnesota. I am the Chief Financial Officer and Secretary, the Acting Chief Executive Officer, and a member of the Board of Directors of Redstone American Grill, a Minnesota corporation (“Redstone Grill”).

2. Thomas Joseph Petters owns (subject to existing liens): (i) 1,325,000 common shares (the “Common Shares”) of Redstone Grill; and (ii) a 33.33% membership interest in Midtown Partners, LLC, a Minnesota limited liability company (“Midtown Partners”) that owns 2,500,000 preferred shares (the “Preferred Shares”) of Redstone Grill (the foregoing Common Shares and 33.33% membership interest being collectively referred to as the “Property”).

3. Redstone Grill and its subsidiaries operate five restaurants, located in Minnetonka and Eden Prairie, Minnesota; Oakbrook Park, Illinois; Marlton, New Jersey

and Plymouth Meeting, Pennsylvania. As of May 30, 2009, these five restaurants employed approximately 700 full-time and part-time employees. Redstone Grill incurred a substantial financial loss in 2008, as recessionary pressure caused a decline in restaurant industry sales in the third and fourth quarter and due to costs relating to abandoned expansion plans.

4. During 2008, approximately 34% of Redstone Grill's total revenue was from the sale of alcoholic beverages. Each of the five Redstone Grill restaurants has a license to sell alcoholic beverages. The continued operation of all of the restaurants is dependent upon maintenance of a liquor license for each of the restaurants.

5. The Common Shares constitute approximately 16.3% of Redstone Grill's outstanding common stock. The Preferred Shares owned by Midtown Partners (in which Mr. Petters has a one-third ownership interest) are convertible into additional shares of Redstone Grill common stock on a one-for-one basis.

6. A subsidiary of Redstone Grill is a party to a Consent Order issued by the New Jersey Department of Law and Public Safety, Division of Alcoholic Beverage Control, which requires that Redstone Grill must cease to have Mr. Petters as a stockholder no later than July 15, 2009. Failure to comply with the Consent Order will result in loss of the New Jersey restaurant's liquor license. Redstone Grill faces similar loss of its other liquor licenses if Mr. Peters remains a stockholder of Redstone Grill.

7. Redstone Grill is in default under its principal credit agreement with its principal lender and is in negotiations with the lender to attempt to obtain a waiver of those defaults. The loss of the New Jersey liquor license would likely result in the immediate acceleration of all outstanding indebtedness to this lender and the probable liquidation of Redstone Grill.

8. The Common Shares and the Preferred Shares have been pledged to Home Federal Savings Bank ("Home Federal") to secure a loan of \$5 million that Home Federal made to Midtown Partners in July 2007. A second lien security interest in the Common Shares and in Mr. Petters' membership interest in Midtown Partners is claimed by Edgebrook, Inc. ("Edgebrook") to secure a \$4 million promissory note issued to it by Mr. Petters in August 2008.

9. Because of the recent losses sustained by Redstone Grill, the security interest of Home Federal and the possible security interest of Edgebrook, the default under Redstone Grill's credit agreement, and current conditions in the restaurant industry and the national economy, the market value of Mr. Petters' equity interest in the Property, taking into account the related debt, is currently zero, or at best a nominal amount.

10. Redstone Grill's Receiver has negotiated with the Redstone Grill, Home Federal and Edgebrook the terms of a Purchase and Option Agreement (with consents by Home Federal and Edgebrook), under which (i) the Receiver would sell to a subsidiary of Redstone Grill all of Mr. Petters' equity interest in the Property (subject to existing security interests) for \$75,000 in cash, and (ii) the Receiver would obtain a three year option to repurchase the Property for \$75,000 if the Receiver elected to do so. The option affords the Receiver or his assignee a possibility of re-acquiring the Property for possible re-sale at a higher price if the value of the Property recovers in value.

11. In order to avoid loss of Redstone Grill's liquor licenses, and the resulting collapse of its business and loss of employee jobs, it is in the best interests of Redstone Grill, through its subsidiary, to enter into the Purchase and Option Agreement and close the sale of the Property as provided therein.

FURTHER YOUR AFFIANT SAYETH NOT.

Dated this 15th day of June, 2009.



Craig A. Oberlander
294 Grove Lane East, Suite 113
Wayzata, MN 55391
Tel: (952) 404-3334
Email: craig@redstonegrill.com

Subscribed and sworn to before me
this 15th day of June, 2009.



Notary Public

