

LEASE

Lease made as of the ____ day of _____, 2000, by and between the City of Rapid City, ("City"), and Montana-Dakota Utilities Co., a Division of MDU Resources Group, Inc., a corporation, ("MDU").

I.

LEASED PREMISES

For and in consideration of the mutual covenants herein contained and to be performed and kept by the respective parties hereto, the City hereby leases to MDU the following described real property:

Lots Five (5) through Eight (8) and the South Ten Feet (S10') of
The alley abutting Lot Five (5) of Block Sixteen (16) of the
Brennan and Sweeny Addition, Rapid City, Pennington County,
South Dakota.

II.

TERM

This lease shall be in effect from December 1, 2000, until September 1, 2002, or until the new MDU building is completed and occupied, whichever comes first.

This lease may be terminated by either party by giving reasonable written notice to the other party.

III.

RENTAL

The rental consideration for the above-described property is transfer of the property from MDU to the City as described in the Real Estate Exchange Agreement entered into between the parties dated _____, 2000, a copy of which is attached hereto as Exhibit "A" and incorporated herein by reference.

IV.

USE OF LEASED PREMISES

MDU shall use the leased premises for storage of natural gas piping fittings, equipment, employee parking, etc. and such other purposes directly related thereto as may reasonably be agreed to by the City and MDU; MDU shall use the leased premises for no other purposes.

V.

SUBLETTING

MDU shall not sublet any portion of the leased premises without the prior written approval of the City.

VI. MAINTENANCE

MDU, on its own responsibility and at its own expense, shall maintain the premises and keep said premises in a well-maintained and reasonably attractive condition. Upon termination of this lease, MDU shall return possession and all rights to the leased premises to the City and remove all equipment stored on the premises by MDU. MDU shall not dispose or release any hazardous wastes or materials associated with their use and occupancy of the premises.

VII. ALTERATIONS

MDU shall make no alterations to the leased premises without the prior written approval of the City. Any alterations shall be made in compliance with all applicable codes. Upon completion, such alterations, which cannot be removed without harm to the leased premises, shall become property of the City and shall be considered to be a part of the leased premises and subject to the terms of this lease.

VIII. INSURANCE

MDU shall obtain insurance coverage of One Million Dollars (\$1,000,000) combined single limit. MDU shall hold the City harmless from any liability arising out of its use and occupancy of the leased premises and shall cause the City to be named as an additional insured on all liability policies. MDU shall also provide a certificate of insurance showing liability coverage to the Finance Office on an ongoing basis.

MDU shall carry real and personal property insurance coverage for the leased premises in a commercially reasonable amount. In addition, MDU shall provide the City proof of worker's compensation insurance in the minimum amount required under the worker's compensation laws of the State of South Dakota.

IX. LIENS AND ENCUMBRANCES

MDU shall allow no lien or other encumbrance against the leased premises. In the event such lien or encumbrance is placed against the property MDU shall forthwith cause such lien or encumbrance to be satisfied, voided, or otherwise removed. The City shall have the right, upon failure by MDU to cause any lien or encumbrance to be removed, to satisfy such lien

or encumbrance and to recover its costs, including sums advanced, from MDU by any appropriate proceeding. The provisions of this section shall not create any rights in any third party, but shall be enforceable only between MDU and the City.

X.
ACCESS TO LEASED PREMISES

MDU shall allow access by authorized agents of the City to all or any portion of the leased premises at all reasonable times for the purpose of inspecting the premises and for all other authorized purposes not unreasonably inconsistent with the use of the leased premises by MDU.

XI.
DEFAULT

In the event MDU shall fail to keep any of the covenants to be kept by it pursuant to this lease upon thirty (30) days written notice by the City, MDU shall be in default and shall forthwith cease occupying the leased premises and surrender possession of the premises to the City. In the event the City shall have twice given written notice of default for the same or similar failure by MDU, then MDU shall have no right to thirty (30) days notice and opportunity to cure but shall forthwith, upon written notice by the City, cease occupying the leased premises and surrender possession of the premises to the City.

CITY OF RAPID CITY

By: _____
Jim Shaw, Mayor

ATTEST:

Finance Officer

(SEAL)

MONTANA-DAKOTA UTILITIES CO., a
Division of MDU Resources, Inc.

By: _____
Its: _____

State of South Dakota)

SS.

County of Pennington)

On this the ____ day of _____, 2000, before me, the undersigned officer, personally appeared Jim Shaw and James F. Preston, who acknowledged themselves to be the Mayor and Finance Officer, respectively, of the City of Rapid City, a municipal corporation, and that they as such Mayor and Finance Officer, being authorized so to do, executed the foregoing instrument for the purposes therein contained by signing the name of the City of Rapid City by themselves as Mayor and Finance Officer.

IN WITNESS WHEREOF, I hereunto set my hand and official seal.

Notary Public, South Dakota

My Commission Expires:

(SEAL)

State of North Dakota)

SS.

County of Burleigh)

On this the ____ day of _____, 2000, before me, the undersigned officer, personally appeared _____, who acknowledged himself to be the _____ of Montana-Dakota Utilities Co., a Division of MDU Resources Group, Inc., a corporation, and that he, as such _____, being authorized so to do, executed the foregoing instrument for the purposes therein contained by signing the name of the corporation by himself as _____.

IN WITNESS WHEREOF, I hereunto set my hand and official seal.

Notary Public, North Dakota

My Commission Expires:

(SEAL)