

APPENDIX B
DEPOSIT AND ESCROW AGREEMENT

DEPOSIT AND ESCROW AGREEMENT BETWEEN
VIRGINIA LUTHERAN HOMES, INC.
AND
SALEM BANK & TRUST, NATIONAL ASSOCIATION

THIS DEPOSIT AND ESCROW AGREEMENT ("Agreement") made as of this 1st day of March, 2000, by and between VIRGINIA LUTHERAN HOMES, INC. ("Sponsor"), a Virginia not-for-profit corporation and SALEM BANK & TRUST, NATIONAL ASSOCIATION, a national banking association (the Depository").

RECITALS

Sponsor is marketing a continuing-care retirement community known as Brandon Oaks, Roanoke, Virginia ("CCRC"). As part of such marketing, it is intended that deposits from prospective residents will be collected by Sponsor. Such deposits shall be escrowed in accordance with Section 38.2-4904.1 of the Code of Virginia (the "Statute"). In addition, deposits received after the issuance of a certificate of registration of CCRC or in connection with the execution of a Residency and Care Agreement shall also be escrowed under this Agreement.

The Depository is willing to act as escrow agent in accordance with the terms of the Statute in effect as of the date of this Agreement and the provisions of this Agreement.

NOW, THEREFORE, the parties hereto agree as follows:

(1) Deposits from prospective residents (the "Deposits") shall be deposited by Sponsor with the Depository as they are received. Depository shall maintain, in the regular course of business, sufficient records to identify the Deposit for each such prospective Resident.

(2) The Depository shall retain the Deposits in special accounts, each designated "Brandon Oaks CCRC Deposit Escrow Account - (Name of prospective resident)" (the "Escrow Accounts"), subject to the terms and conditions of this Agreement.

(3) At such time as Sponsor has met the qualifications of subsection C of the Statute with respect to any given Escrow Account, Sponsor shall notify Depository in writing, attaching a copy of evidence of compliance with subsection C of the Statute, and Depository shall thereafter permit any person designated in writing by Sponsor to draw

against the Deposits in the relevant Escrow Account up to the full amount deposited by the prospective resident in question.

(4) All Deposits shall be returned to the prospective residents entitled thereto if (a) the Deposits have not been released within three years after placement in escrow unless specifically approved by the Virginia State Corporation Commission (the "Commission"), or within such longer period as determined appropriate by the Commission in writing. (b) the prospective resident dies before occupying a unit, or (c) upon recession of the prospective resident's contract pursuant to provisions in the contract or in the Statute. However, Deposits subject to release under item (a) of this subsection or under Paragraph (3) above may be held in escrow for an additional period at the mutual consent of Sponsor and the prospective resident. However, the prospective resident may consent to such additional period only after his deposit has been held in escrow for at least two years.

(5) Each Escrow Account shall be maintained by Depository as a separate money market investment account at Depository's standard interest rate. All interest earned shall be credited to the Escrow Account involved and all fees charged by Depository shall be deducted from the Escrow Account involved subject to withdrawal as provided in Paragraphs (3) and (4) above. Upon occupancy at CCRC, each prospective resident shall receive credit for net earning on escrowed funds toward the final payment due on the entry fee.

(6) In addition to its normal responsibilities, Depository shall perform in accordance with the terms of this Agreement. Depository shall not be bound in any way by any agreement between Sponsor and any other party. Depository shall be entitled to rely on instruction and documentation presented to it by Sponsor, administrative or judicial body in accordance with the terms of this Agreement. Sponsor hereby agrees to defend and hold Depository harmless from any liability so long as Depository performs in accordance with the terms of this Agreement and in reliance on instructions and documentation presented by Sponsor.

(7) Each party may terminate this Agreement upon thirty (30) days notice to the other. Depository may unilaterally terminate this Agreement upon thirty (30) days written notice to Sponsor. Upon termination of this Agreement, Depository shall immediately transfer the funds in the Escrow Accounts to the replacement depository designated by Sponsor and provide Sponsor and the replacement depository with copies of the records maintained by Depository pursuant to Paragraph (1) along with any other information related to the Escrow Accounts reasonably requested by Sponsor or the replacement depository. If not terminated pursuant to Paragraph (4) or the foregoing, this Agreement shall terminate when all monies have been disbursed from all Escrow Accounts.

(8) This Agreement may be amended in writing by the parties hereto. The parties acknowledge that such an amendment may be necessitated by a change in the Statute or other regulations governing continuing care retirement facilities.

(9) Wherever the term "prospective resident" appears it shall also include his or her personal legal representative.

(10) This Agreement shall be construed in accordance with the laws of the Commonwealth of Virginia. If any provision herein is declared to be invalid, it shall not affect the validity of any other provision herein.

SALEM BANK & TRUST, NATIONAL ASSOCIATION

Attest: Claudia L Stanley
Claudia L Stanley - Branch
(Print Name and Title) Manager

By: Carl E Taylor
Executive Vice-President
(Name and Title)

VIRGINIA LUTHERAN HOMES, INC.

Attest: Caren A Anderson
Date: 4/25/00

By: R J Hall
Date: 4/25/00