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HEADWATERS INCORPORATED ENTERS INTO CONTRACT TO MANAGE COAL ASH AT MAJOR NEW POWER PLANT IN VIRGINIA

SOUTH JORDAN, UTAH, FEBRUARY 22, 2011 (NYSE: HW) – HEADWATERS INCORPORATED today announced that coal ash produced at the Virginia City Hybrid Energy Center will be managed by a subsidiary of Headwaters Incorporated under a long-term contract recently signed with the plant owner, Dominion Virginia Power.

The 585-megawatt power plant is currently under construction in Wise County, Virginia, with commercial operations scheduled for summer 2012. Virginia City will be one of the cleanest power stations of its kind. The circulating fluidized bed unit will use run-of-mine coal, waste coal and up to 20 percent biomass for its fuel.

Approximately 2 million tons of coal ash are expected to be produced at Virginia City yearly. Headwaters will handle ash disposal operations during and after start-up.

To pursue service contracts like Virginia City, Headwaters has formed *Headwaters Plant Services Inc.*, a new business unit that will focus exclusively on utility and industrial services such as coal ash management and disposal. Headwaters has more than three decades' experience designing, permitting, constructing, operating and closing solid waste disposal operations for coal-fueled utilities and other industrial clients.

The new business unit will draw personnel and expertise from Headwaters' existing utility and industrial services practice. Headwaters Resources Senior Vice President, Mike Adams, has been selected to oversee operations of Headwaters Plant Services. Mr. Adams has served as a marketing and operations officer for Headwaters Resources and its predecessor companies for more than 30 years.

“The complexity of coal ash disposal operations will increase as new environmental regulations are adopted, and many utilities will be forced to upgrade disposal practices or convert to new types of disposal altogether,” said Adams. “Many engineering firms are qualified to design safe and compliant disposal facilities. Headwaters can offer unparalleled expertise in ensuring that new facilities are designed in a way that maximizes efficiency for both operations and potential recycling activities.”

The U.S. Environmental Protection Agency has announced plans to strengthen regulation of coal ash disposal, and several states have undertaken similar efforts. Practices such as disposing of coal ash in wet impoundments will likely be phased out and other utilities may be required to upgrade or construct new dry landfills.

Headwaters has extensive experience conducting landfill operations and pond cleanouts, converting disposal operations from wet to dry handling, designing and managing systems for handling flue gas desulphurization materials, deploying systems for improving coal ash quality to make it suitable for marketing, and more.

“Many people who know us as a prominent marketer of coal ash for beneficial uses are not aware that our company also has a long history providing ash management and disposal services,” said Bill Gehrman, president of Headwaters Resources. “As the complexity of managing coal ash increases, Headwaters offers the vision, experience, and capabilities to create comprehensive disposal and marketing programs for utilities and industrial facilities of all sizes. Headwaters Plant Services expects to provide valuable tools for complying with changing disposal regulations while developing options for increasing the safe beneficial use of coal ash.”

At the Virginia City Hybrid Energy Center, Headwaters will:

- Construct maintenance and office facilities
- Provide ash-management and ancillary services
- Operate mixers and load-out silos, while conducting hauling, placement and compaction of coal ash residuals within designated areas
- Supply and place cover soil, as well as complete quarterly landfill and settlement pond surveys

“We are pleased to become Dominion’s partner at this cutting-edge facility well in advance of its completion,” said Adams. “Assisting with the design and construction of ash management infrastructure will enable us to more efficiently conduct ash handling and disposal operations for years to come.”

With on-going projects at more than 100 utility locations and approximately 20 million tons of coal combustion products under management annually, Headwaters is the largest manager of coal ash resources in the United States. Headwaters is also responsible for more than half of the nation’s total sales of coal fly ash for use in concrete applications – an important contributor to reducing greenhouse gas emissions associated with concrete construction. For more information about Headwaters coal ash operations, visit www.flyash.com.

Dominion is one of the nation's largest producers and transporters of energy, with a portfolio of approximately 27,600 megawatts of generation, 12,000 miles of natural gas transmission, gathering and storage pipeline and 6,000 miles of electric transmission lines. Dominion operates the nation's largest natural gas storage system with 942 billion cubic feet of storage capacity and serves retail energy customers in 13 states. For more information about Dominion, visit the company's website at www.dom.com.

About Headwaters Incorporated

Headwaters Incorporated's vision is to improve sustainability by transforming underutilized resources into valuable products. Headwaters is a diversified growth company providing products, technologies and services to the heavy construction materials, light building products, and energy technology industries. Through its coal combustion products, building products, and energy businesses, the Company earns a revenue stream that helps to provide the capital to fund growth of existing and new business opportunities.

Forward Looking Statements.

Certain statements contained in this press release are forward-looking statements within the meaning of federal securities laws and Headwaters intends that such forward-looking statements be subject to the safe-harbor created thereby. Forward-looking statements include Headwaters' expectations as to the managing and marketing of coal combustion products, the production and marketing of building materials and products, the production and marketing of cleaned coal, the licensing of residue hydrocracking technology and catalyst sales to oil refineries, the availability of refined coal tax credits, the development, commercialization, and financing of new technologies and other strategic business opportunities and acquisitions, and other information about Headwaters. Such statements that are not purely historical by nature, including those statements regarding Headwaters' future business plans, the operation of facilities, the availability of feedstocks, and the marketability of the coal combustion products, building products, cleaned coal, catalysts, and the availability of tax credits, are forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995 regarding future events and our future results that are based on current expectations, estimates, forecasts, and projections about the industries in which we operate and the beliefs and assumptions of our management. Actual results may vary materially from such expectations. Words such as "may," "should," "intends," "plans," "expects," "anticipates," "targets," "goals," "projects," "believes," "seeks," "estimates," "forecasts," or variations of such words and similar expressions, or the negative of such terms, may help identify such forward-looking statements. Any statements that refer to projections of our future financial performance, our anticipated growth and trends in our businesses, and other characterizations of future events or circumstances, are forward-looking. In addition to matters affecting the coal combustion products, building products, and energy industries or the economy generally, factors that could cause actual results to differ from expectations stated in forward-looking statements include, among others, the factors described in the caption entitled "Risk Factors" in Item 1A in Headwaters' Annual Report on Form 10-K for the fiscal year ended September 30, 2010, Quarterly Reports on Form 10-Q, and other periodic filings and prospectuses.

Although Headwaters believes that its expectations are based on reasonable assumptions within the bounds of its knowledge of its business and operations, there can be no assurance that our results of operations will not be adversely affected by such factors. Unless legally required, we undertake no obligation to revise or update any forward-looking statements for any reason. Readers are cautioned not to place undue reliance on these forward-looking statements, which speak only as of the date of this press release. Our internet address is www.headwaters.com. There we make available, free of charge, our annual report on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K and any amendments to those reports, as soon as reasonably practicable after we electronically file such material with, or furnish it to, the SEC. Our reports can be accessed through the investor relations section of our web site.