

NASD
LETTER OF ACCEPTANCE, WAIVER AND CONSENT
NO. 2006003911601

TO: Department of Enforcement
NASD

RE: Headwaters MB, LLC
CRD No. 3052085

Pursuant to Rule 9216 of NASD Code of Procedure, Headwaters MB, LLC ("Headwaters") submits this Letter of Acceptance, Waiver and Consent ("AWC") for the purpose of proposing a settlement of the alleged rule violations described in Part II below. This AWC is submitted on the condition that, if accepted, NASD will not bring any future actions against Headwaters alleging violations based on the same factual findings.

Headwaters understands that:

1. Submission of this AWC is voluntary and will not resolve this matter unless and until it has been reviewed and accepted by NASD's Department of Enforcement and National Adjudicatory Council ("NAC") Review Subcommittee or Office of Disciplinary Affairs ("ODA"), pursuant to NASD Rule 9216;
2. If this AWC is not accepted, its submission will not be used as evidence to prove any of the allegations against Headwaters; and
3. If accepted:
 - a. this AWC will become part of Headwaters' permanent disciplinary record and may be considered in any future actions brought by NASD or any other regulator against Headwaters;
 - b. this AWC will be made available through NASD's public disclosure program in response to public inquiries about Headwaters disciplinary record;
 - c. NASD may make a public announcement concerning this agreement and the subject matter thereof in accordance with NASD Rule 8310 and IM-8310-2; and
 - d. Headwaters may not take any action or make or permit to be made any public statement, including in regulatory filings or otherwise, denying,

directly or indirectly, any allegation in this AWC or create the impression that the AWC is without factual basis. Nothing in this provision affects Headwaters' testimonial obligations or right to take legal or factual positions in litigation or other legal proceedings in which NASD is not a party.

Headwaters also understands that its experience in the securities industry and disciplinary history may be factors that will be considered in deciding whether to accept this AWC. That experience and history are as follows:

Headwaters became a member of NASD in March 2002. Headwaters has no relevant disciplinary history with the Securities and Exchange Commission, NASD, any state regulator or other self-regulatory organization.

I. WAIVER OF PROCEDURAL RIGHTS

Headwaters specifically and voluntarily waives the following rights granted under NASD's Code of Procedure:

- A. To have a Formal Complaint issued specifying the allegations against Headwaters;
- B. To be notified of the Formal Complaint and have the opportunity to answer the allegations in writing;
- C. To defend against the allegations in a disciplinary hearing before a hearing panel, to have a written record of the hearing made and to have a written decision issued; and
- D. To appeal any such decision to the NAC and then to the U.S. Securities and Exchange Commission and a U.S. Court of Appeals.

Further, Headwaters specifically and voluntarily waives any right to claim bias or prejudgment of the General Counsel, the NAC, or any member of the NAC, in connection with such person's or body's participation in discussions regarding the terms and conditions of this AWC, or other consideration of this AWC, including acceptance or rejection of this AWC.

Headwaters further specifically and voluntarily waives any right to claim that a person violated the ex parte prohibitions of Rule 9143 or the separation of functions prohibitions of Rule 9144, in connection with such person's or body's participation in discussions regarding the terms and conditions of this AWC, or other consideration of this AWC, including its acceptance or rejection.

II. ACCEPTANCE AND CONSENT

- A. Headwaters hereby accepts and consents, without admitting or denying the findings, and solely for the purposes of this proceeding and any other proceeding brought by or on behalf of NASD, or to which NASD is a party, prior to a hearing and without an adjudication of any issue of law or fact, to the entry of the following findings by NASD:

1. Between August 2002 and March 2003, Headwaters permitted a representative, CH, to function in a registered capacity while that individual's registration was inactive for failing to sit for the Regulatory Element of the Continuing Education requirement ("CE requirement") by the specified date.

The foregoing acts, practices and conduct constitute separate and distinct violations of NASD Membership and Registration Rule 1120(a) and NASD Conduct Rule 2110 by Headwaters.

2. From August 2002 through March 2003, Headwaters failed to enforce its written supervisory procedures pertaining to Regulatory Element Continuing Education.

The foregoing acts, practices and conduct constitute separate and distinct violation of NASD Conduct Rules 3010(b) and 2110 by Headwaters.

- B. Headwaters also consents to the imposition, at a maximum, of the following sanctions:

A censure and a fine in the amount of \$12,000.00.

The sanctions imposed herein shall be effective on a date set by NASD staff.

III. OTHER MATTERS

Headwaters understands that it may attach a Corrective Action Statement to this AWC that is a statement of demonstrable corrective steps taken to prevent future misconduct. Headwaters also understands that it may not deny the charges or make any statement that is inconsistent with the AWC in this Statement. This Statement does not constitute factual or legal findings by NASD, nor does it reflect the views of NASD or its staff.

Headwaters agrees to pay any monetary sanctions imposed on it upon notice that this AWC has been accepted and that such payments are due and payable and have attached an Election of

Payment form showing the method by which it proposes to pay any fine imposed.

Headwaters specifically and voluntarily waives any right to claim that it is unable to pay, now or at any time hereafter, any monetary sanction imposed in this matter.

Headwaters certifies that it has read and understands all of the provisions of this AWC and has been given a full opportunity to ask questions about it, and that no offer, threat, inducement, or promise of any kind, other than the terms set forth herein, has been made to induce Headwaters to submit it.

1-3-07
Date


Headwaters MB, LLC

By: Philip W. Seefried, Jr.
Name and Title
CO- Founder & Managing Partner

Accepted by NASD:

Date: 1/22/07

Signed on behalf of the
Director of ODA, by delegated authority


Heather Hawker
Senior Regional Attorney
370 17th St., Suite 2900
Denver, Colorado 80202
(303) 446-3110

NASD Associated Vice President/
Regional Director
Joseph M. McCarthy
NASD, District 3A
370 17th St., Suite 2900
Denver, Colorado 80202
(303) 446-3100