I.

The Securities and Exchange Commission ("Commission") deems it appropriate that cease-and-desist proceedings be, and hereby are, instituted pursuant to Section 8A of the Securities Act of 1933 ("Securities Act") and Section 21C of the Securities Exchange Act of 1934 ("Exchange Act") against Applied Minerals, Inc., formerly known as Atlas Mining Company ("Atlas Mining" or "Respondent").

II.

In anticipation of the institution of these proceedings, Respondent has submitted an Offer of Settlement (the "Offer") which the Commission has determined to accept. Solely for the purpose of these proceedings and any other proceedings brought by or on behalf of the Commission, or to which the Commission is a party, and without admitting or denying the findings herein, except as to the Commission’s jurisdiction over it and the subject matter of these proceedings, which are admitted, Respondent consents to the entry of this Order Instituting Cease-and-Desist Proceedings Pursuant to Section 8A of the Securities Act of 1933 and Section 21C of the Securities Exchange Act of 1934, Making Findings, and Imposing Remedial Sanctions and a Cease-and-Desist Order ("Order"), as set forth below.
III.

On the basis of this Order and Respondent’s Offer, the Commission finds\(^1\) that:

**SUMMARY**

These proceedings arise from repeated registration violations, internal control deficiencies, and inaccurate and untimely financial filings by Atlas Mining, a publicly-traded mining company. Specifically, from 2002 through late 2005, Atlas Mining improperly issued millions of shares of its common stock that purportedly had been registered with the Commission on Forms S-8 and/or SB-2. This misconduct allowed stock promoters and Atlas Mining to reap illicit profits by reselling Atlas Mining stock to investors who had been denied legally mandated disclosures. In late 2007, Atlas Mining announced its intention to restate its financial statements for the periods 2004 through 2006 when these improper stock issuances and other potential issues came to light. When Atlas Mining filed its restated financial statements in the Summer of 2009, it reported the correction of numerous errors in its past filings, including errors related to its improper S-8 and SB-2 stock issuances, and acknowledged longstanding material weaknesses in its internal controls, including the lack of effective oversight and monitoring of the financial reporting and accounting functions at the company.

**RESPONDENT**

1. **Applied Minerals, Inc. (formerly known as Atlas Mining Company)** is a mining company incorporated in Delaware and currently headquartered in New York, New York. At all relevant times, Atlas Mining was incorporated in Idaho and headquartered in Osburn, Idaho. Atlas Mining’s common stock is registered with the Commission pursuant to Section 12(g) of the Exchange Act and is quoted on the OTC Bulletin Board under the ticker symbol ALMI.

**OTHER RELEVANT PERSON**

2. **William Jacobson**, age 62, resides in Missoula, Montana. Jacobson was Chairman, CEO and President of Atlas Mining from August 1997 to July 2007; Chairman from July 7, 2007 to November 30, 2007; and, Chairman, interim CEO and President from November 30, 2007 to June 27, 2008. On June 27, 2008, Jacobson resigned from Atlas Mining in connection with an internal investigation initiated by the company.

**BACKGROUND**

3. Atlas Mining is a mining company that employed between five and sixty-five people during the relevant time period. Incorporated in 1924, Atlas Mining was inactive from 1980 to the Fall of 1997 when it restarted mining operations.

\(^1\) The findings herein are made pursuant to Respondent’s Offer of Settlement and are not binding on any other person or entity in this or any other proceeding.
4. Atlas Mining’s stock began trading on the OTC Bulletin Board on July 19, 2002. From 2002 to 2004, the stock price ranged from $0.05 to $0.40 per share. From 2005 through 2007, the stock price ranged from $0.38 to $2.98 per share.

5. Atlas Mining experienced annual operating losses from the time it resumed operations in September 1997 through at least 2007. Since at least April 2003, its auditors have repeatedly expressed uncertainty about the company’s ability to operate as a going concern.

**IMPROPER OFFER AND SALE OF FORM S-8 SECURITIES**

6. Atlas Mining filed a Form S-8 registration statement on August 27, 2002. The Form S-8 was amended on July 8, 2003, and again on September 25, 2004. The registration statement and amendments attached and incorporated Atlas Mining’s 2002 Consultant Stock Plan, which provided that shares were to be issued only to “consultants” of the company for bona fide consulting services. After filing the registration statement and amendments, Atlas Mining issued millions of shares of common stock.

7. Form S-8 is an abbreviated form of registration statement that may be used to register an issuance of shares to employees and certain types of consultants. Form S-8 does not provide the extensive disclosures or Commission review required for a registration statement used for a public offering of securities. A company can issue S-8 shares to consultants only if they are natural persons who provide bona fide services to the registrant and such services are not in connection with the offer or sale of securities in a capital-raising transaction, and do not directly or indirectly promote or maintain a market for the registrant’s securities.

8. Between 2002 and late 2005, Atlas Mining issued approximately 16 million shares of its common stock under its registration statements on Form S-8. As described below, however, approximately 14.6 million or roughly 90% of these shares were issued to individuals and entities that were ineligible to receive shares registered on Form S-8.

9. In addition, Atlas Mining issued shares of S-8 stock to individuals who had provided no bona fide services to the company, including members of Jacobson’s family. For example, 250,000 shares of Atlas Mining S-8 stock were issued to Jacobson’s homemaker wife, and 500,000 shares were issued to Jacobson’s son. Neither Jacobson’s wife nor his son performed any bona fide services for Atlas Mining, and were therefore not eligible to receive S-8 shares.

10. Atlas Mining also issued millions of shares of S-8 stock directly to entities in violation of the requirement that S-8 shares be issued only to natural persons. For example, S-8 stock was issued directly to an affiliated mining company that had no operating mines and employed no miners at the time the stock was issued.

11. Atlas Mining further issued millions of shares of S-8 stock to stock promoters who were ineligible to receive S-8 shares.

12. Atlas Mining also issued shares of its S-8 stock to compensate consultants who provided capital-raising services to the company, and were therefore, ineligible to receive S-8 shares. Specifically, Atlas Mining issued S-8 shares to consultants who were raising funds for
Atlas Mining through private equity transactions, including a transaction where a consultant attempted to raise $1 million in a private investment in public equity or “PIPE” transaction involving Atlas Mining stock.

13. Atlas Mining’s improper issuances of S-8 shares circumvented the federal securities laws and enabled stock promoters, financiers, and Jacobson to resell Atlas Mining stock to unknowing investors without the required disclosures about the company and the offerings.

**IMPROPER OFFER AND SALE OF SHARES ISSUED ON FORM SB-2**

14. In 2003 and 2004, Atlas Mining improperly issued nearly 10 million shares of Atlas Mining stock that were purportedly registered pursuant to Form SB-2, an abbreviated registration statement for small business issuers which requires disclosure of certain company information and information about the securities offering.

15. In early 2003, Atlas Mining registered for sale with the Commission 10 million shares of common stock at a fixed price of $0.10 per share. The registration statement, filed on Form SB-2, and prospectus represented that Atlas Mining was acting as a self-underwriter, and that the shares would be “sold directly by the company.” The documents also represented that the registered offering would only remain open for 180 days, after which the offering would automatically expire.

16. To avoid expiration of the time-limited offering and the loss of the ability to sell the shares, Atlas Mining “parked” the unsold shares with related parties and affiliates. In total, 9.9 of the 10 million unsold shares were “parked” – 500,000 shares in March 2003, one million shares in July 2003, and the remaining 8.4 million shares on a single day at the end of the offering in August 2003.

17. The shares were “parked” through the issuance of share certificates in the names of nine related parties and affiliates. These sham purchasers included, among others, Jacobson’s children, a subsidiary entity controlled by Atlas Mining management, and the teenage daughter of Jacobson’s assistant who provided occasional janitorial services to the company. The individuals and entities in whose names the share certificates were issued did not pay for or actually take possession of the shares. Instead, the share certificates were sent directly to Atlas Mining, and were concealed in the company’s files with the intent to resell the shares to bona fide investors after the expiration of the 180 day offering deadline in violation of the registration statement.

18. The “parking” transactions did not conform to the terms of the registration statement because the purported recipients never actually paid for or received the shares. Thus, the “parking” transactions were unregistered issuances.

19. From the Fall of 2003 through May of 2004, the 9.9 million “parked” shares of Atlas Mining common stock were resold to third parties in additional unregistered offerings. To complete the sales, the certificates to the sham recipients were returned to the transfer agent to be cancelled, and the shares were then transferred to the actual purchasers. The individuals and entities whose certificates were cancelled received no compensation for the shares; instead, all
purchase proceeds went directly to Atlas Mining (and certain affiliated entities). It was only after such resales that Atlas Mining and its affiliated entities ultimately received payments totaling $805,000 for the parked shares.

20. No registration statement was filed for the subsequent resale transactions, and no further amendment was made to the SB-2 registration statement or prospectus. Thus, the resale transactions were additional unregistered issuances.

21. Atlas Mining’s unlawful parking and resale scheme enabled the company to raise financing without providing investors with the timely and accurate disclosures required by the federal securities laws.

**FAILURE TO FILE TIMELY AND ACCURATE PERIODIC REPORTS**

22. On October 9, 2007, Atlas Mining filed a Form 8-K announcing that it intended to restate its financial statements for 2004, 2005 and 2006 that it had previously filed with the Commission on Forms 10-Q and Forms 10-K. On January 17, 2008, Atlas Mining filed a Form 8-K announcing the appointment of two new directors and the initiation of a special committee internal investigation.

23. On August 27, 2008, Atlas Mining filed a Form 8-K summarizing the results of the Special Committee’s investigation. In the Form 8-K, Atlas Mining announced that its financial statements filed with the Commission on Forms 10-Q and Forms 10-K for all periods beginning in 2002 through the second quarter of 2007 could not be relied upon due to numerous violations of the federal securities laws uncovered during the Special Committee’s investigation.


INADEQUATE INTERNAL CONTROLS

27. From its reactivation of operations in the Fall of 1997 to August 8, 2007, Atlas Mining had no Chief Financial Officer. During this time, Jacobson served as the chief accounting officer for Atlas Mining, in addition to serving as Chairman, CEO and President. Accordingly, there was a lack of segregation of duties for the financial reporting process and a lack of effective oversight and monitoring of the financial reporting and accounting functions.

28. In addition, through the end of 2007, Atlas Mining lacked an effective period-end financial statement closing process. Specifically, Atlas Mining did not maintain a checklist of procedures or any formal guidance to facilitate the period-end closing process. Accordingly, there was a lack of controls over the period-end financial statement closing process.

29. Lastly, Atlas Mining reported in its Form 10-K for the period ended December 31, 2007, which was filed on July 15, 2009, that the company had identified material weaknesses in its disclosure internal controls, including ineffective oversight of related party transactions, revenue recognition, stock issued for services, stock issuances under option plans that were in violation of the terms of the plans, accounting for options, lack of appropriate accounting procedures and personnel, journal entry approval and procedures, and management’s assessment of internal control over financial reporting.

ATLAS MINING COMPANY’S REMEDIAL EFFORTS

30. After Atlas Mining’s violations came to light in late 2007, Atlas Mining promptly undertook significant remedial efforts. These efforts included undertaking an internal investigation; replacing all members of the management team of the company, including hiring a new CEO and CFO; changing all members of the Board of Directors; changing its independent auditor; adopting a Code of Conduct and Ethics for its CEO and senior financial officers; implementing internal control and corporate governance policies; and implementing additional remedial measures to improve its financial reporting and disclosure controls, including the appointment of a financial expert to the Board of Directors. Lastly, as of August 14, 2009, Atlas Mining brought itself current on all due and/or delinquent periodic reports.

VIOLATIONS

Respondent Violated Sections 5(a) and 5(c) of the Securities Act

31. As a result of the conduct described above, Atlas Mining violated Sections 5(a) and 5(c) of the Securities Act, which, among other things, unless a registration statement is on file or in effect as to a security, prohibit any person, directly or indirectly, from: (i) making use of any means or instruments of transportation or communication in interstate commerce or of the mails to sell such security through the use or medium of any prospectus or otherwise; (ii) carrying or causing to be carried through the mails or in interstate commerce, by any means or instruments of transportation, any such security for the purpose of sale or for delivery after sale; or (iii) making use of any means or instruments of transportation or communication in interstate commerce or of the mails to offer to sell or offer to buy through the use or medium of any prospectus or otherwise any security, unless a registration statement has been filed as to such security.
Respondent Violated Sections 13(a), 13(b)(2)(A), and 13(b)(2)(B) of the Exchange Act and Rules 12b-20, 13a-1, and 13a-13 thereunder

32. As a result of the conduct described above, Atlas Mining violated Sections 13(a), 13(b)(2)(A), and 13(b)(2)(B) of the Exchange Act, and Rules 12b-20, 13a-1, and 13a-13 thereunder by filing inaccurate periodic reports with the Commission, by failing to make and keep accurate books and records, and by failing to devise and maintain an adequate system of accounting controls.

IV.

In view of the foregoing, the Commission deems it appropriate to impose the sanctions agreed to in Respondent Atlas Mining’s Offer.

Accordingly, it is hereby ORDERED that:

Pursuant to Section 8A of the Securities Act and Section 21C of the Exchange Act, Respondent cease and desist from committing or causing any violations and any future violations of Sections 5(a) and 5(c) of the Securities Act, and Sections 13(a), 13(b)(2)(A) and 13(b)(2)(B) of the Exchange Act and Rules 12b-20, 13a-1, and 13a-13 thereunder.

By the Commission.

Elizabeth M. Murphy
Secretary