INNOVATIVE MEDICAL SERVICES
Form S-3/A
August 13, 2001

SECURITIES AND EXCHANGE COMMISSION
AMENDMENT NO. 2
FORM S-3 REGISTRATION STATEMENT
UNDER THE SECURITIES ACT OF 1933

INNOVATIVE MEDICAL SERVICES
(Exact Name of Registrant as Specified in its Charter)

CALIFORNIA	3841	33-0530289
(State of Incorporation)	(Primary Standard Classification Code)	(IRS Employer ID No.)

1725 Gillespie Way, El Cajon, California 92020
(619) 596 8600
(Address and Telephone Number of Registrant's Principal Executive Offices and Principal Place of Business)

MICHAEL L. KRALL
1725 Gillespie Way, El Cajon, California 92020
(619) 596 8600
(Name, Address and Telephone Number of Agent for Service)

APPROXIMATE DATE OF COMMENCEMENT OF PROPOSED SALE TO THE PUBLIC: As soon as practicable after the effective date of this registration statement.

If the only securities being registered on this Form are to be offered pursuant to dividend or interest reinvestment plans, please check the following box: |_|

If any of the securities being offered on this Form are to be offered on a delayed or continuous basis pursuant to Rule 415 under the Securities Act of 1933, other than securities offered only in connection with dividend or interest reinvestment plans, check the following box: X

CALCULATION OF REGISTRATION FEE

Title of each class of securities to be registered	Amount to be registered	Proposed Maximum offering price per Share	Proposed Maximum aggregate offering price	Amount of registration fee
common stock of selling securities holders	388,096	$2.05	$795,596.80	$198.90

* Estimated price in accordance with Rule 457(c)and based upon the last reported sale on the NASDAQ SmallCap Market on May 23, 2001.

The registrant hereby amends this registration statement on such date or dates as may be necessary to delay its effective date until the registrant shall file a further amendment which specifically states that this registration statement shall thereafter become effective in accordance with section 8(a) of the securities act of 1933 or until the registration statement shall become effective on such date as the commission, acting pursuant to said section 8(a), may determine.

The exhibit index appears on page ii-4 of the sequentially numbered pages of

this registration statement. this registration statement, including exhibits, contains 19 pages.

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["LOGO WITH TEXT OF "INNOVATIVE MEDICAL SERVICES"]

PROSPECTUS

388,096 shares of common stock offered by the selling securities holders.

Innovative Medical Services will not receive any of the proceeds from the sale of shares by the selling securities holders.

Our Shares are traded on the Nasdaq SmallCap Market under the symbol PURE.

On May 23, 2001, the closing sale price of the common stock, as reported on the Nasdaq SmallCap Market, was $2.05 per share.

These are speculative securities, involve a high degree of risk and should be purchased only by persons who can afford to lose their entire Investment. Please see the section titled "Risk Factors", page 3.

These securities have not been approved or disapproved by the securities And exchange commission nor has the commission passed upon the accuracy or Adequacy of this prospectus. Any representation to the contrary is a Criminal offense.

The selling securities holders may sell the shares of common stock described in this prospectus in public or private transactions, on or off the Nasdaq SmallCap Market, at prevailing market prices, or at privately negotiated prices. The selling securities holders may sell shares directly to purchasers or through

brokers or dealers. Brokers or dealers may receive compensation in the form of discounts, concessions or commissions from the selling securities holders. More information is provided in the section titled "Plan of Distribution page 14."

The date of this prospectus is _____, 2001

Prospectus Summary

Innovative Medical Services, is based in El Cajon, California. We market water treatment and disinfecting solutions to a broad range of customers, including pharmaceutical, healthcare and consumer markets. We have expanded from our niche pharmacy market into other, broader markets with new products, including residential and commercial water filtration systems, health and wellness-related retail merchandise, e-commerce products, and silver ion bioscience technologies.

Historically, the Fillmaster line of products has generated the most revenues for Innovative Medical Services. Our Fillmaster(R) pharmaceutical water purification, dispensing and measuring products include the Pharmapure(R)water purification system, the FMD 550 dispenser, the patented Fillmaster 1000e computerized dispenser and the patented Scanmaster(TM)bar code reader. We also market proprietary National Sanitation Foundation certified replacement filters for the Fillmaster Systems.

During the past quarter, however, the water treatment division sales mix has expanded to include our Nutripure(R)line of water treatment and filtration systems includes the Nutripure 3000S-Series whole-house water softening systems, sold throught Nurtipure water dealers; the Nutripure Elite reverse osmosis point-of-use systems, the Nutripure 2000 countertop water filtration system and the Nutripure Sport filtered sport bottle. We distribute our Nutripure products in retail sales, catalogue placement, business-to-business sales, internet promotion and in-home sales presentations. For the quarter ended April 30, 2001, water treatment division sales, which include Fillmaster pharmacy sales, Nutripure retail products and the Nutripure water dealer program were $667,300, or approximately 95% of total quarter sales. Revenues for the nine month period ended April 30, 2001 were $1,462,600.

We also operate an e-commerce health website, Nutripure.com(R), as distributor of Bergen Brunswig products which provides consumers a wide variety of vitamins, minerals, nutritional supplements, homeopathic remedies and natural products. In addition to merchandise, the website offers comprehensive health and wellness information in an easy-to-access, intuitive reference format. For the quarter ended April 30, 2001, revenues from e-commerce were immaterial.

We have obtained worldwide manufacturing and marketing rights for advanced silver ion technologies, antimicrobial technology that uses the biocidal properties of ionic silver to kill bacteria viruses and fungi. The EPA registrations for Axen and Axenohl as hard surface disinfectants were granted in June of 2001. The Company plans to pursue FDA approval in the future, but no applications have been made to date. The Company is currently researching the FDA approval process and plans to hire an experienced FDA consultant to assist with the process. With EPA approval the potential uses of Axen could make dramatic improvement in retail hard surface disinfecting products as well as in disinfecting hard surfaces in hospital ERs, surgeries, laboratories, dental and medical offices. The Company has funded testing with the United Stated

Department of Agriculture for use of Axenohl in poultry processing. The USDA reported that the testing was to be completed in June, and the Company is awaiting the final report that will document the testing results. Additional potential applications for this product include wound care, topical infection care, and personal disinfecting retail products, which may require FDA approvals as well as municipal water treatment, point-of-use/point-of-entry water treatment products, which may require additional EPA approvals. For the quarter ended April 30, 2001, revenues from sales of Axenohl to a cosmetics company in South Korea were $30,300, or approximately 4% of total quarter sales.

Innovative Medical Services entered into a sales, marketing, distribution and manufacturing agreement for particular geographic areas and particular market segments for Axenohl/Axen with NVID International on November 24, 1999. On March 26, 2000, Innovative Medical Services entered into a superseding contract with NVID and ETI-H2O, Inc. of Florida for exclusive, worldwide sales, marketing and distribution rights for Axenohl/Axen. The latter contract is the subject of pending litigation with NVID. The lawsuit seeks a judicial declaration that the Manufacturing, Licensing and Distribution Agreement, dated March 26, 2000 between the Company, NVID, International, Inc. and ETI-H2O does not constitute a binding contract and seeks unspecified damages. The lawsuit does not challenge the binding effect of the Standard Manufacturing Agreements dated November 30, 1998 and September 17, 1999 between NVID, International, Inc. and ETI-H2O and the November 24, 1999 License Agreement between the Company and NVID, International, Inc. The dispute does not affect any of the Company's rights associated with the EPA registrations. Under the registrations, ETIH2O is the only EPA-approved producer of Axenohl and Axen. Registration under the Federal Insecticide, Fungicide and Rodenticide Act (FIFRA) is required before a product can be sold in the United States. Should NVID prevail in its lawsuit, Innovative Medical Services would be limited by both geography and market segments in its exclusive rights to sell Axenohl.

In January 2001, we acquired a pesticide technology which conforms to recent U.S. Environmental Protection Agency criteria for environmentally safe pesticides. The product line provides excellent results against cockroaches, ants, palmetto bugs, silverfish, waterbugs, ticks, fleas, lice and garden pests. The U.S. Environmental Protection Agency approved RoachX is the first product of the line. RoachX is over 96% effective in three to four days with one application for indoor/outdoor eradication of cockroaches. We market RoachX to retailers, commercial pest control companies and businesses in the United States and abroad. For the quarter ended April 30, 2001, revenue from pesticide sales which began during the quarter were $3,500.

During fiscal 2001, we launched a marketing program offering existing independent water treatment dealers a line of residential water softening and other point-of-use water treatment equipment for sale to the public under our Nutripure brand. The program also provides third party financing to consumers for the purchase of water treatment equipment. Currently the financing is for consumers of independent water treatment dealers selling water softening equipment produced by other manufacturers and not the Company's Nutripure products, although we intend to extend the financing program to include the Company's line of Nutripure products. We have partnered with MBNA and Automated Payment Services for the financing and administration of the program.

Securities Offered: 388,096 shares offered by the selling securities holders.

We are not offering any of the selling securities holders securities. These shares may be sold by the holders from time to time at prevailing market prices. We will not receive any of the proceeds from any sale of the selling securities holders shares. See "Selling securities holders" page 13.

Use Of Proceeds: Innovative will not receive any of the proceeds from any sale of the selling securities holder shares.

Risk Factors

These securities involve a high degree of risk. Prospective purchasers should consider carefully, among other factors set forth in the prospectus, the following:

Risks of Our Business

1. We had a loss of $1,745,430 in our most recent fiscal year and may continue to have losses in the future which may impair the value of an investment in the shares.

During the fiscal year ended July 31, 2000 we incurred a loss of $1,745,430. This loss resulted primarily from declining sales of our Fillmaster(R) products and significant expenditures on future products in anticipation of creating future revenue. If our revenue growth is slower than we anticipate or our operating expenses exceed our expectations, it may take an unforeseen period of time to achieve or sustain profitability or we may never achieve or sustain profitability. This may result in an adverse effect on the market value of an investment in the shares.

2. Our market for Fillmaster(R)Products is maturing and sales are declining.

Fillmaster sales have declined approximately 46% from fiscal year 1999 to fiscal year 2000. Fillmaster revenues have represented almost 100% of our revenue for the past five fiscal years. We believe the decline in Fillmaster revenues is due to multiple factors, including the fact that the market for pharmacy products is maturing in that there is a decreasing number of pharmacy chains that do not have water filtration products, and that we have sold systems to most major chains. In addition, the Company is facing its first significant competiro in the pharmacy industry, FreshWater Systems. The competitor's impact on the market has affected the volume of filter replacement sales of the Company. The decline in Fillmaster sales may have an adverse effect upon our ability to not only achieve profitability but also to finance the development and marketing of new products. This may result in an adverse effect on the market value of an investment in the shares.

3. We are marketing new products and technology which have not been accepted into the marketplace.

We have begun marketing several new antimicrobial silver ion technologies to industrial markets including healthcare, dental, veterinary and food processing as well as to consumer products markets as well as environmentally safe pesticides. Revenues from these new products during the fiscal quarter ended April 30, 2001. Risks involved in introducing these new products include liability for product effectiveness and competition from existing or emerging sources.

4. Some of our new bioscience products must be approved by government agencies, and we may be delayed or prevented from selling the new products until such approvals are obtained.

Some of our new bioscience applications for the healthcare markets and food

preparation markets will require government agencies approvals prior to marketing or sale in the United States. We have not yet applied for Food and Drug Administration or Department of Agriculture approval. If these applications are not approved we will not be able to market or sell such products which would limit the revenues which may be realized from bioscience products. Even after approval, we will remain subject to changing governmental policies regulating antimicrobial products. We also intends to take these technologies to the international marketplace, and international business carries a great deal of risk with regard to foreign governments, banking and markets.

5. Our new products will be competing against well established and extremely large chemical and pharmaceutical companies.

Our silver ion products and pesticide products will be competing in markets dominated by extremely large, well financed and internationally recognized chemical and pharmaceutical companies. Our ability to compete will depend upon developing our brand recognition and distribution methods while are competitors already have well established brands and distribution and many times our financial ability. Focused competition by such chemical and pharmaceutical giants could substantial limit our potential market and ability to profit from these products.

6. We are involved in litigation with NVID International, Inc., the licensor of our rights to the Axenhnol, our silver ion antimicrobial technology. Loss or impairment of our license to manufacture and market Axenhnol could have a materially adverse effect on our revenues and profitability.

In April 2001, NVID International, Inc., the licensor of our Axenhnol, silver ion antimicrobial technology filed a Declaratory Judgment action against us. The lawsuit seeks a judicial declaration that the Manufacturing, Licensing and Distribution Agreement, dated March 26, 2000 between us, NVID, International, Inc. and ETI-H2O, Inc., does not constitute a binding contract and seeks unspecified damages. Any loss or impairment of our license to manufacture and market Axenhnol based products could have a materially adverse effect on our revenues and profitability.

7. We may not be able to protect and enforce our patents and intellectual property.

We rely or may in the future rely on a combination of patent, trademark, trade secret and copyright law and contractual restrictions to protect the proprietary aspects of our technology and business. These legal protections afford only limited protection for our intellectual property and trade secrets. Despite our efforts to protect our proprietary rights, unauthorized parties may attempt to copy aspects of our proprietary technology or otherwise obtain and use information that we regard as proprietary.

We have filed for U.S. and foreign patent applications and trademark registrations for our patents and trademarks. It is also possible that competitors or others will create and use products in violation of our patents and adopt service names similar to ours. Such patent infringement could have a material, adverse effect on our business. Adopting similar names and trademarks by competitors could lead to customer confusion. Any claims or customer confusion related to our trademarks could negatively affect our business.

Litigation may be necessary to enforce our intellectual property rights and protect our trade secrets. If third parties prepare and file applications in the United States, or other countries that claim trademarks used or registered by us, we may oppose those applications and be required to participate in proceedings before the regulatory agencies who determine priority of rights to

the trademarks. Any litigation or adverse priority proceeding could result in substantial costs and diversion of resources and could seriously harm our business and operating results.

Finally, to the extent that we operate internationally, the laws of many countries may not protect our proprietary rights to as great an extent as do the laws of the United States. Many countries have a "first-to-file" trademark registration system. As a result, we may be prevented from registering or using our trademarks in certain countries if third parties have previously filed applications to register or have registered the same or similar trademark. Our means of protecting our proprietary rights may not be adequate, and our competitors could independently develop similar technology.

8. We may face liability for content on our Nutripure.com website.

Third parties may claim that posting health and wellness information on our website makes us liable for damage caused by use of the products sold or that such information is practicing medicine without a license. Any such claim, whether meritorious or not, could be time-consuming, result in costly litigation. Although we maintain general liability insurance, our insurance may not cover potential claims of the types described above or may not be adequate to indemnify us for all liability that may be imposed. Any imposition of liability that is not covered by insurance or is in excess of insurance coverage could harm our business.

9. Breaches of security on the internet may slow the growth of e-commerce and subject us to liability.

The need to securely transmit confidential information such as credit card and other personal information over the Internet has been a significant barrier to e-commerce and communications over the Web. Any well-publicized compromise of security could deter more people from using the Web or from using it to conduct transactions that involve transmitting confidential information, such as purchases of goods or services. To the extent that our Nutripure.com activities involve personal consumer information, such as credit card numbers, security breaches could disrupt our business, damage our reputation and expose us to a risk of loss or litigation and possible liability. We could be liable for claims based on unauthorized purchases with credit card information, impersonation or other similar fraud claims. Claims could also be based on other misuses of personal information, such as for unauthorized marketing purposes. We may need to spend a great deal of money and use other resources to protect against the threat of security breaches or to alleviate problems caused by security breaches.

10. We face risks associated with government regulation of and legal uncertainties surrounding the internet.

Any new law effecting the internet could increase our cost of doing business or otherwise adversely affect our business. Laws directly applicable to internet communications, commerce and advertising are becoming more prevalent. The law governing the internet, however, remains largely unsettled, even in areas where there has been some legislative action. It may take years to determine whether and how existing laws governing intellectual property, copyright, privacy, obscenity, libel and taxation apply to the internet. In addition, the growth and development of e-commerce may prompt calls for more stringent consumer protection laws and taxation of internet commerce. Governments in foreign jurisdictions may regulate Internet or other online services in such areas as content, privacy, network security, encryption or distribution more stringently than in the United States. This may affect our ability to conduct business internationally. We also may be subject to future regulation not specifically related to the Internet, including laws affecting

direct marketers.

11. We may face product liability for the products we manufacture and sell.

As a business which manufactures and markets products for use by consumers, we may become liable for any damage caused by our products when used in the manner intended. Any such claim of liability, whether meritorious or not, could be time-consuming, result in costly litigation. Although we maintain general liability insurance, our insurance may not cover potential claims of the types described above or may not be adequate to indemnify us for all liability that may be imposed. Any imposition of liability that is not covered by insurance or is in excess of insurance coverage could harm our business.

12. We may face liability for marketing our Nutripure consumer water filtration products with the phrase "Pharmacist Recommended".

We use the phrase "Pharmacist Recommended" in our marketing materials for Nutripure consumer water filtration products. We base our use of the phrase on limited focus group information and comments received from individual pharmacists regarding the benefits of purified water. No independent pharmacist organization has ever issued us a recommendation or even evaluated our products. As a result there is a risk that allegations of deceptive advertising could be made against us by state or federal agencies responsible for enforcing truth in advertising laws. Whether such allegations would be meritorious or not, the negative publicity of such allegations could have a material adverse effect on our sales of consumer water filtration products. In addition fines could be imposed upon us and we could be required to change our marketing material which would represent a material cost to us.

13. Doing business in Brazil present risks for a small company doing business in other countries.

Doing business in Brazil while being a small business headquartered in the United States presents risks associated with the cost of developing and maintaining operations in a foreign country with an unfamiliar legal and business environment. In addition, volatility in the value of the Brazilian currency creates uncertainty as to the profitability of operating in Brazil. If our Brazilian operations are not successful it could have a materially adverse effect upon our business.

Risks of Investing in our Common Stock

1. The price and trading volume of our common stock has been highly volatile and could adversely effect an investor's ability to sell the shares and the available price for the shares when sold.

Since going public in August 1996, the price and trading volume has been highly volatile. The price range has been from below $1 per share to over $7 per share. In addition, the monthly trading volume has varied from under 200,000 shares to over 3,000,000 shares. Investors need to consider this volatility which could result in lower prices being available to the investor if the investor desires to sell their shares at a given time.

2. The listing of our common stock on the Nasdaq SmallCap Market is subject to our meeting their continued listing requirements and failure to maintain our listing could adversely effect an investor's ability to sell the shares and the available price for the shares when sold.

Our common stock is listed on the Nasdaq SmallCap Market and is subject to being removed from this market if we do not continue to meet the continued listing

requirements. These continued listing requirements include maintaining a stock price over $1 per share as well as maintaining at least $4,000,000 in assets with $2,000,000 of net assets as well as other requirements. If we should fail to maintain these requirements and our common stock was moved from the Nasdaq SmallCap market and was traded on the Over-The-Counter Electronic Bulletin Board Market which does not have similar continued listing requirements, an investor's available price and ability to sell the shares could be adversely effected as many broker-dealers and many investors will not trade or invest in securities traded on the Over-The-Counter Electronic Bulletin Board Market.

3. Our common stock may be classified as a "Penny Stock" which could adversely affect an investor's ability to sell the shares and the available price for the shares when sold.

In the event that our common stock was removed from the Nasdaq SmallCap Market for failure to meet the continued listing criteria, we believe that our common stock would be characterized as "penny stock" under U.S. Securities and Exchange Commission regulations. As such, broker-dealers dealing in our common stock will be subject to the disclosure rules for transactions involving penny stocks which require the broker-dealer to determine if purchasing our common stock is suitable for a particular investor. The broker-dealer must also obtain the written consent of purchasers to purchase our common stock. The broker-dealer must also disclose the best bid and offer prices available for our stock and the price at which the broker-dealer last purchased or sold our common stock. These additional burdens imposed upon broker-dealers may discourage them from effecting transactions in our common stock, which could make it difficult for an investor to sell their shares.

4. The number of shares issuable upon exercise of stock options and outstanding common stock purchase warrants may adversely effect the market price for our shares.

We have adopted a 1996 Incentive Stock Option Plan, a 1996 Directors and Officers Stock Option Plan, a 1998 Directors and Officers Stock Option Plan, a 2000 Directors and Officers Stock Option Plan, a Scientific Consultants and Advisors Stock Option Plan and an ETI H2O Corporation Stock Option Plan for our subsidiary which manufactures Axenhol. We have reserved 6,500,000 common shares for issuance under these plans. As of the date of this prospectus options to acquire over 4,200,000 shares have been awarded pursuant to these plans. In addition, common stock purchase warrants to acquire up to 83,334 shares of common stock for $4.00 per share on or before January 28, 2003 are currently outstanding and common stock purchase warrants to acquire up to 88,640 shares of common stock for $3.468 per share on or before July 31, 2002 are also outstanding. The exercise of options and common stock purchase warrants and sale of underlying shares could have an adverse effect on the market for the shares.

5. Previously outstanding convertible debentures contain an anti-dilution provision which could result in additional shares being issued to the holder in the event we declare a reverse split of the outstanding common stock, thereby further diluting the ownership of our common stock and possibly depressing the price of the common stock.

The convertible debentures converted on July 31, 2001 contained an anti-dilution provision. This provision states that in the event we declare a reverse split of the outstanding common stock within 180 days of a conversion of the convertible debenture into common stock, the holder of the convertible debenture may elect to have their conversion recalculated using the average closing bid price of the common stock as reported on the NASDAQ SmallCap Market for the ten trading days immediately following the effective date of the reverse split. If such recalculation would result in a greater number of shares than received from the

prior conversion, we are required to issue such additional shares to the holder within five business days of receipt of re-calculated conversion notice.

Where You Can Get More Information

We are subject to the reporting requirements of the Securities Exchange Act of 1934 and files annual, quarterly and current reports, proxy statements and other information with the SEC. You may read and copy these reports, proxy statements and other information at the SEC's public reference facilities at Judiciary Plaza, 450 Fifth Street, N.W., Room 1024, Washington, D.C. 20549. You can request copies of these documents by writing to the SEC and paying a fee for the copying cost. Please call the SEC at 1-800-SEC-0330 for more information about the operation of the public reference facilities. SEC filings are also available at the SEC's Web site at http://www.sec.gov.

Our common stock is listed on the Nasdaq SmallCap Market, and you can read and inspect our filings at the offices of the National Association of Securities Dealers, Inc. at 1735 K Street, Washington, D.C. 20006.

The SEC allows us to "incorporate by reference" information that we file with them. Incorporation by reference allows us to disclose important information to you by referring you to those other documents. The information incorporated by reference is an important part of this prospectus, and information that we file later with the SEC will automatically update and supersede this information. We have filed a registration statement on Form S-3 under the Securities Act of 1933 with the SEC with respect to the common stock being offered pursuant to this prospectus. This prospectus omits certain information contained in the registration statement on Form S-3, as permitted by the SEC. Refer to the registration statement on Form S-3, including the exhibits, for further information about us and our common stock being offered pursuant to this prospectus. Statements in this prospectus regarding the provisions of certain documents filed with, or incorporated by reference in, the registration statement are not necessarily complete and each statement is qualified in all respects by that reference. Copies of all or any part of the registration statement, including the documents incorporated by reference or the exhibits, may be obtained upon payment of the prescribed rates at the offices of the SEC listed above.

Upon request, we will provide without charge to each person to whom a copy of this prospectus has been delivered a copy of any information that was incorporated by reference in the prospectus (other than exhibits to documents, unless the exhibits are specifically incorporated by reference into the prospectus). We will also provide upon request, without charge to each person to whom a copy of this prospectus has been delivered, a copy of all documents filed from time to time by us with the SEC pursuant to the Exchange Act of 1934. Requests for copies should be directed to Donna Singer Vice President, Innovative Medical Services, 1725 Gillespie Way, El Cajon, California 92020. Telephone requests may be directed to Ms. Singer at (619) 596 9600.

Certain Information We Are Incorporating By Reference

We incorporate by reference the documents listed below and any future filings we will make with the SEC under Section 13(a), 13(c), 14 or 15(d) of the Securities Exchange Act of 1934:

-- Form 8-A Registration Statement as amended filed on July 22, 1996 and the Description of the Common Stock incorporated by reference therein from the

Registration Statement on Form SB-2 dated August 8, 1996 SEC file no 333-434.

-- Form 10-KSB Annual Report for the fiscal year ended July 31, 2000 as amended on August 10, 2001

-- Form 10-QSB Quarterly Report for the 3 months ended Oct. 31, 2000 as amended on August 10, 2001

-- Form 10-QSB Quarterly Report for the 6 months ended Jan. 31, 2001 as amended on August 10, 2001

-- Form 10-QSB Quarterly Report for the 9 months ended April 30, 2001 as amended on August 10, 2001

-- Form 8-K Current Report filed May 24, 2001

-- All other documents filed by us after the date of this prospectus under Section 13(a), 13(c), 14 and 15(d) of the Securities Exchange Act of 1934, are incorporated by reference herein to be a part thereof from the date of filing of such documents.

You may request a copy of these filings at no cost, by writing, telephoning or e-mailing us at the following address:

Innovative Medical Services
1725 Gillespie Way, El Cajon, California 92020
e-mail: dsinger@imspure.com

This prospectus is part of a registration statement we filed with the United States Securities and Exchange Commission. You should rely only on the information incorporated by reference or provided in this prospectus. No one else is authorized to provide you with different information. We are not making an offer of these securities in any state where the offer is not permitted. You should not assume that the information in this prospectus is accurate as of any date other than the date on the front of this document.

Forward-Looking Statements

This prospectus contains and incorporates by reference forward-looking statements within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934, including statements regarding The Company's drug development programs, clinical trials, receipt of regulatory approval, capital needs, collaborative agreements, intellectual property, expectations and intentions. Forward-looking statements may be identified or qualified by words such as "likely", "will", "suggests", "may", "would", "could", "should", "expects", "anticipates", "estimates", "plans", "projects", "believes", or similar expressions and variants of those words or expressions.

Forward-looking statements necessarily involve risks and uncertainties, and The Company's actual results could differ materially from those anticipated in the forward-looking statements due to a number of factors, including those set forth below under "Risk Factors" and elsewhere in this prospectus. The factors set forth below under "Risk Factors" and other cautionary statements made in this prospectus should be read and understood as being applicable to all related forward-looking statements wherever they appear in this prospectus. The

forward-looking statements contained in this prospectus represent our judgment as of the date of this prospectus. The Company cautions readers not to place undue reliance on such statements. We undertake no obligation to update publicly any forward-looking statements for any reason, even if new information becomes available or other events occur in the future.

Description Of Securities

Common Stock: We are authorized to issue up to 20,000,000 shares of its no par value common stock. Each share is entitled to one vote on matters submitted to a vote of the shareholders. There is no cumulative voting of the common stock. The common stock shares have no redemption provisions nor any preemptive rights. We are also authorized to issue up to 5,000,000 shares of preferred stock, the rights and preferences of which may be set from time to time prior to issuance by the Board of Directors.

Private Placement Warrants: 83,334 Private Placement Warrants were sold in January, 2001. These January 2001 Private Placement Warrants entitle the holder to acquire an additional share of common stock for $4.00 per share on or before January 28, 2003.

Convertible Debentures: In April 2001, two convertible debentures, each with a principal amount of $100,000 were issued. The debentures accrued interest at the rate of 10% per annum resulting in $2,465.75 of accrued interest throught the date of conversion on July 31, 2001. The debentures were converted into 44,320 units each consisting of one share of common stock and a common stock purchase warrant to acquire 44,320 shares on or before July 31, 2002. The conversion price for each unit was $2.312 per unit which was equal to 80% of the average closing bid price of the common stock as reported on the NASDAQ SmallCap Market for the five trading days immediately preceding the date of receipt of a notice of conversion on July 31, 2001. The $3.468 exercise price of the common stock purchase warrant contained in the units is equal to 120% of the average closing bid price as reported on the NASDAQ SmallCap Market for the five trading days immediately preceding the date of receipt of a notice of conversion on July 31, 2001.

In the event of default defined as including failure to repay upon maturity, bankruptcy or insolvency, default interest at the rate of 20% per annum would have accrued on the debentures as well as all costs of collection and attorneys fees.

In addition the Convertible Debentures contained an anti-dilution provision. This provision stated that in the event we declare a reverse split of the outstanding common stock within 180 days of a conversion of the Convertible Debenture into common stock, the holder of the Convertible Debenture may elect to have their conversion recalculated using the average closing bid price of the common stock as reported on the NASDAQ SmallCap Market for the ten trading days immediately following the effective date of the reverse split. The holder would provide notice to us of its election. At this time we would recalculate the prior conversion using the post reverse split pricing. If such recalculation would result in a greater number of shares than received from the prior conversion, we are required to issue such additional shares to the holder within five business days of receipt of re-calculated conversion notice. The purpose of this provision is to protect the holder from loss of value of converted shares due to a reverse split based upon the assumption that the market price of shares following a reverse split will quickly be substantially less than the reverse split multiple following the effective date of the reverse split.

For example:

- The holders received 88,640 shares for its conversion on July 31, 2001 at a conversion price of $2.312 per share;
- Assume a two to one reverse split is effective prior to January 29, 2002;
- Assume the ten day average closing bid price following the effective date of the reverse split is $3.00;
- The holders now have 44,320 shares for which it effectively paid $4.624 per share less than 180 days ago;
- A recalculation of the conversion based upon post reverse split pricing would result in recalculated conversion price of $2.40 per share and 85,388 shares due to the holders;
- We would be obligated to issue an additional 41,068 shares to the holder.

Selling Securities Holders

The following Selling securities holders whose shares have been registered for public resale are set forth below:

SELLING SECURITIES HOLDER	SECURITIES OWNED	SECURITIES OFFERED	%Before Offering	%After Offering
Solinvest Group, Ltd.	88,640	88,640	1.2%	0%
Multiasian Ventures Ltd.	88,640	88,640	1.2%	0%
Harold Singer	115,000	65,000	1.6%	