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DRACO HOLDING CORP/NV
Form 10KSB
February 20, 2004

U. S. Securities and Exchange Commission
Washington, D. C. 20549

FORM 10-KSB

ANNUAL REPORT UNDER SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE
ACT OF 1934

For the fiscal year ended December 31, 2003

TRANSITION REPORT UNDER SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE
ACT OF 1934

For the transition period from _____ to _____

Commission File No. 033-02441-D

DRACO HOLDING CORPORATION

(Name of Small Business Issuer in its Charter)

NEVADA

87-0638750

(State or Other Jurisdiction of
Incorporation or Organization)

(I.R.S. Employer I.D. No.)

c/o Jump'n Jax, Inc.
511 East St. George Boulevard, Suite No. 3
St. George, Utah 84770

(Address of Principal Executive Offices)

Issuer's Telephone Number: (801) 209-0545

N/A

(Former Name or Former Address, if changed since last Report)

Securities Registered under Section 12(b) of the Exchange Act: None

Name of Each Exchange on Which Registered: None

Securities Registered under Section 12(g) of the Exchange Act:

None

(Title of Class)

Check whether the issuer (1) filed all reports required to be filed by Section 13 or 15(d) of the Exchange Act during the past 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes No

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Check if there is no disclosure of delinquent filers in response to Item 405 of Regulation S-B contained in this form, and no disclosure will be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-KSB or any amendment to this Form 10-KSB. [X]

State issuer's revenues for its most recent fiscal year: December 31, 2003 - \$10,441.

State the aggregate market value of the voting stock held by non-affiliates computed by reference to the price at which the stock was sold, or the average bid and asked prices of such stock, as of a specified date within the past 60 days.

As of January 21, 2004 the aggregate market value of the voting stock held by non-affiliates was approximately \$312,727, based on approximately 181,291 shares of common voting stock of the registrant held by non-affiliates and an average bid and asked price of \$1.725 per share.

ISSUERS INVOLVED IN BANKRUPTCY PROCEEDINGS DURING THE PAST FIVE YEARS

Not Applicable.

APPLICABLE ONLY TO CORPORATE REGISTRANTS

State the number of shares outstanding of each of the issuer's classes of common equity, as of the latest practicable date: As of January 21, 2004 there were 941,390 shares of the issuer's common stock issued and outstanding.

DOCUMENTS INCORPORATED BY REFERENCE

Not Applicable.

Transitional Small Business Disclosure Format Yes [] No [X]

PART I

ANY FORWARD-LOOKING STATEMENTS INCLUDED IN THIS ANNUAL REPORT OF FORM 10-KSB REPORT REFLECT MANAGEMENT'S BEST JUDGMENT BASED ON FACTORS CURRENTLY KNOWN AND INVOLVE RISKS AND UNCERTAINTIES. ACTUAL RESULTS MAY VARY MATERIALLY.

Item 1. Description of Business.

Business Development.

Business.

Draco Corp., a Utah corporation ("Draco-Utah") was organized December 17, 1985 in the State of Utah. Its initial business purpose was to acquire an appropriate business opportunity. Draco-Utah conducted an initial public offering of its common stock in 1987. Draco-Utah then began to search for an appropriate business opportunity.

On August 17, 1999, each of the former directors and executive officers of Draco-Utah resigned and appointed Lane S. Clissold, Steven D. Moulton, and

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Diane Nelson to serve as directors in their stead. The new board of directors then elected Mr. Clissold to serve as Draco-Utah's President, Ms. Nelson as its Vice President, and Mr. Moulton as its Secretary/Treasurer. Ms. Nelson subsequently resigned her positions as an officer and director of the Company on December 20, 2002.

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On August 17, 1999, Draco-Utah's new board of directors unanimously voted to authorize Steven D. Moulton to negotiate with a business associate for the formation of a wholly-owned subsidiary to operate an equipment rental business and report back to the board of directors. Subsequently the domicile of the Company was changed from Utah to Nevada by merging Draco-Utah into its then wholly-owned subsidiary, Draco Holding Corporation, a Nevada corporation that had been formed for the sole purpose of changing Draco-Utah's domicile from the State of Utah to the State of Nevada. This was completed on September 16, 1999. Draco Holding Corporation is sometimes referred to herein as the "Company" or as "Draco".

After the merger, Draco Holding Corporation became the surviving corporation, assuming all the assets and obligations of Draco-Utah. Draco is the surviving entity for legal purposes, and the historical financial information of Draco-Utah became Draco Holding Corporation's financial statements for accounting purposes.

On March 3, 2000 Draco's board of directors unanimously approved the formation of Jump'n Jax, Inc., a Utah corporation ("Jump'n Jax"), as a wholly-owned subsidiary of Draco. Jump'n Jax operates Draco's business of leasing inflatable balloon bounce houses for parties and outdoor activities in Southern Utah. Since September 21, 2001, the directors of Jump'n Jax have been Todd Wheeler and Steven D. Moulton, and the officers have been: President-Todd Wheeler; and Secretary and Treasurer-Steven D. Moulton.

Since Draco entered into its present business in March 2000, Draco has incurred losses in each quarterly period. Draco's ongoing operations have been financed through various loans and contributions made to it by its president and secretary/treasurer, Lane S. Clissold and Steven D. Moulton. Effective November 18, 2002, Mr. Clissold and Mr. Moulton converted loans with an aggregate principal balance of \$50,048 and accrued interest of approximately \$6,000 to 200,000 post-split shares (100,000 shares each) of Draco common stock. Mr. Clissold loaned an additional \$5,000 to Draco in December 2002. During the year ended December 31, 2003, Mr. Clissold and Mr. Moulton loaned an aggregate of \$15,000 to Draco. Effective November 18, 2003, all outstanding loans made by Messrs. Clissold and Moulton were converted to 400,000 post-split shares of Draco common stock which were issued to Mr. Clissold and Mr. Moulton in equal amounts (200,000 shares each).

On December 18, 2003, the Board of Directors unanimously approved a reverse split of Draco's authorized common stock (both issued and unissued shares) in the ratio of one share for 25, with the result that the number of Draco's authorized shares was reduced from 500,000,000 pre-split shares to 20,000,000 post-split shares, and the number of Draco's issued and outstanding shares was reduced from 18,934,751 pre-split shares to 757,390 post-split shares. The par value of Draco's common stock was kept at one mill (\$.001) per share. This reverse split became effective December 30, 2003. Any references to "post-split" shares in this report, and any references to share amounts hereafter in this report refer to share amounts as adjusted for Draco's reverse split which occurred on December 30, 2003.

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On December 30, 2003 a total of 100,000 post-split shares were issued to each of Mr. Clissold and Mr. Moulton, 30,000 post-split shares were issued to Todd Wheeler, and a total of 54,000 post-split shares were issued to consultants for services rendered to Draco.

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Principal Products or Services and their Markets.

The principal service we offer is a form of childhood entertainment. We currently own and operate six 15' x 15' bounce houses that we rent to customers. We deliver the bounce houses to customer's homes, businesses, or other places of use, and inflate them for our customers and their guests to use for a specific amount of time. Some of the bounce houses are based on the Castle Disney, Winnie the Pooh, Sports Superheroes and sumo wrestling or boxing themes. The bounce houses themselves are generally created based on a particular theme. The themes can be modified on some bounce houses by changing certain plastic characters (such as Disney characters) that can be affixed to the bounce houses. Customers may also add to or supplement a particular theme by purchasing decorations based on a particular theme from a party supply store, and then using those decorations nearby. To date, we have limited our business to renting, delivering and inflating the bounce houses. We have not been involved in supplying decorations or other supplies to enhance a particular theme. However, this is an additional service that we are considering the possibility of offering.

Some of our bounce houses will hold more children than others will. Depending on the size of the children and the bounce house used, our bounce houses will safely hold approximately 10 to 20 children at the same time.

Our bounce houses are between two and five years old. We believe that bounce houses that are well taken care of have a useful life of approximately 15 years. As bounce houses are used more, and as they become older, they generally show more wear and tear. Colors generally fade over time, and some repair areas may be seen. Older bounce houses may look less clean than newer ones, and this may affect their appeal to customers. Also, new bounce houses may be based on hit movie themes and other currently popular themes or fads that have greater market appeal. Older bounce houses may be used less often and therefor may not generate as much revenue as new bounce houses based on popular themes can.

The primary market for our services is young people. Within Washington County, in Southern Utah, over 36% of the 80,000 person population is under age 18. It is expected that the majority of these children will have birthday parties, and we hope to continue to draw our greatest customer base from this. However, we also participate in fairs, carnivals and other events where children are present.

Distribution Methods of the Products or Services.

Our employee or an independent contractor will deliver the bounce houses to the location of the party, and inflate the bounce houses. After the party ends, our employee or an independent contractor will return the bounce houses to their storage area, or deliver them to another party location.

Currently, we run three yellow pages adds in Southern Utah, and occasionally advertise in local newspapers. However, word of mouth recommendations have been our biggest source of customers.

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Status of any Publicly Announced New Product or Service.

None; not applicable.

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Competition.

The city of St. George now has three bounce house services with which we compete. Hoo-ray Bouncers and A to Z Kids offer the same type of service for about \$80 for 3 hours. A third company, Hatch Party Rental, started operating in St. George during 2001. It usually charges approximately \$100 for 3 hours. It has fairly new equipment. The bounce house units of Hoo-ray Bouncers and A to Z Kids are about eight years old and in need of some repair or replacement, while our six units are approximately one to four years old and generally appear to be cleaner. Customers have complimented us on how clean we keep our bounce houses compared to the other services they have used. Manufacturers have designed newer bounce houses to be safer than some of the older designs. We believe that our fairly new bounce houses are safer than some older bounce houses that are used by some of our competitors.

We generally rent our bounce houses for \$80 for three hours (with a three hour minimum) on Fridays and Saturdays, and for \$65 for three hours (with a three hour minimum) on Sundays through Thursdays. Our standard daily rate is \$125 for any day of the week. However, rentals to car dealers or businesses are generally made on a negotiated daily or weekend rate that may be discounted based on promises of repeat business. When we locate our bounce houses at fairs or carnivals, we generally charge \$1.00 to \$3.00 per child, depending on the event attended. Our three hour rental rates are approximately \$15 cheaper than Hoo-ray Bouncers and A to Z Kids on the week days. A to Z has an advantage in that one of its bounce houses is larger and can accommodate larger events. However, A to Z is now located in Kanab, Utah, which is almost 80 miles away from St. George.

The majority of our business comes from rentals in the St. George, Utah area and in the Mesquite, Nevada area. Mesquite, Nevada is located approximately 38 miles from St. George, Utah. Presently there are no bounce house rental companies located in Mesquite, Nevada. We also do business in Cedar City, Utah which is located approximately 50 miles from St. George, Utah.

Increased competition has had an adverse affect on Draco's results of operations. It has affected Draco's ability to increase and/or retain existing business. Increased competition could result in price cutting and lower revenues. In order to compete effectively, Draco may have to lower rental prices or offer incentives such as free party supplies. This may further adversely affect Draco's results of operations.

Seasonality of Business.

During the September through May school year, most of our rental business is done on weekends and on weekday evenings. During the summer months of June, July and August, we have fairly active weekday rentals as well as weekend rentals, but due to the hot climate in the area, most summer rentals occur in the mornings and evenings. Our greatest revenues are generally produced during the summer months.

Sources and Availability of Raw Materials.

The bounce houses are readily available through All American Inflatables of Sacramento, California, Cutting Edge Creations, Inc., of Burnsville, Minnesota, and HEC Services Inc., of Orlando, Florida.

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No Dependence on One or a Few Major Customers.

We are not dependent on one or a few major customers. Less than 10% of our revenues came from any one source during our last fiscal year.

Patents, Trademarks, Licenses, Franchises, Concessions, Royalty Agreements or

Labor Contracts.

We have no patents, licenses, franchises, concessions, royalty agreements or labor contracts. Our children's entertainment business is operated under the Jump'n Jax name. We have not registered the Jump'n Jax name as a trademark, and we do not have any immediate plans to do so.

Governmental Approval of Principal Products or Services.

No special governmental approval is required to operate our business other than having a valid business license which generally applies to all businesses.

Effects of Existing or Probable Governmental Regulations.

Other than maintaining the good standing of our parent and subsidiary corporations, complying with applicable local business licensing requirements, preparing our periodic reports under the Securities Exchange Act of 1934, as amended (the "1934 Act"), and complying with other applicable securities laws, rules and regulations as set forth above, we do not believe that existing or probable governmental regulations will have a material effect on our operations.

Research and Development Expenses.

We have not incurred any research and development expenses in the past, and we do not expect to incur any in the foreseeable future.

Cost and Effect of Compliance with Environmental Laws.

There are no environmental laws that materially impact our business.

Number of Employees.

We presently have one employee and one independent contractor. The employee is an officer and director of our Jump'n Jax subsidiary. These persons work on a part-time basis.

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Item 2. Description of Property.

We use a small amount of space inside Joker Joker, a party supply store located at 511 East St. George Boulevard, St. George, Utah 84770. This space is presently made available to us at no cost because Joker Joker sees it as being beneficial for its business. We do not own the building or have a written lease agreement with the owner. Our use arrangement could be terminated at any time. We believe the value of this property arrangement is approximately \$250 to \$300 per month.

Item 3. Legal Proceedings.

Draco is not a party to any pending legal proceeding. Our property is not subject to any pending legal proceeding. To the best of our knowledge, no

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federal, state or local governmental agency is presently contemplating any proceeding against Draco. No director, executive officer or affiliate of Draco or owner of record or beneficially of more than five percent of Draco's common stock is a party adverse to Draco or has a material interest adverse to Draco in any proceeding.

Item 4. Submission of Matters to a Vote of Security Holders.

No matter was submitted to a vote of security holders, through the solicitation of proxies or otherwise, during the fourth quarter of the fiscal year covered by this report.

PART II

Item 5. Market for Common Equity and Related Stockholder Matters.

Market Information.

Draco's common stock began trading on the OTC Bulletin Board on November 12, 2002. Prior to that time there had not been any established "public market" for shares of common stock of Draco at any time during the last two fiscal years. There have been no quotations for common stock of Draco for at least five years prior to November 12, 2002. No assurance can be given that any existing market for Draco's common stock will continue to be maintained. The shares are thinly traded and a limited market presently exists for the shares. The sale of "unregistered" and "restricted" shares of common stock pursuant to Rule 144 of the Securities and Exchange Commission by members of management or others may have a substantial adverse impact on the public market; and all, but approximately 400,000 of the Company's outstanding "restricted shares" have satisfied the minimum one year "holding period" under Rule 144. The most recent "restricted" shares issued by Draco (400,000 shares) were issued effective November 18, 2003, and will not satisfy a one year holding period until November 18, 2004. See additional information under the headings "Recent Sales of Unregistered Securities" in this Item 5 and "Item 11. Security Ownership of Certain Beneficial Owners and Management."

The following table describes, for the respective periods indicated, the

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closing prices per share of Draco common stock in the over-the-counter market, based on inter-dealer bid prices, without retail mark-up, mark-down or commissions, and may not necessarily represent actual transactions. The quotations have been provided by Pink Sheets LLC and/or market makers. All stock prices in the following table have been adjusted to reflect Draco's 1 for 25 reverse stock split which occurred December 30, 2003.

Quarter ended -----	High bid -----	Low bid -----
December 31, 2002	\$0.25	\$0.75
March 31, 2003	\$1.75	\$0.75
June 30, 2003	\$1.25	\$0.75
September 30, 2003	\$1.25	\$1.00
December 31, 2003	\$1.25	\$0.25

Draco has not granted any outstanding options or warrants to purchase shares of Draco common stock as of January 21, 2004.

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----- Holders.

The number of record holders of Draco's common stock as of January 21, 2004 is approximately 42.

----- Dividends.

We have not declared any cash dividends with respect to our common stock, and we do not intend to declare dividends in the foreseeable future. There are no material restrictions limiting, or that are likely to limit, Draco's ability to pay dividends on its securities, except for any applicable requirements under Section 78.288(2) of the Nevada Revised Statutes which provides as follows:

2. No distribution may be made if, after giving it effect:

(a) The corporation would not be able to pay its debts as they become due in the usual course of business; or

(b) Except as otherwise specifically allowed by the articles of incorporation, the corporation's total assets would be less than the sum of its total liabilities plus the amount that would be needed, if the corporation were to be dissolved at the time of distribution, to satisfy the preferential rights upon dissolution of stockholders whose preferential rights are superior to those receiving the distribution.

----- Recent Sales of Unregistered Securities.

During the past three years, Draco (or its predecessor corporation) sold the following post-split shares of common stock without registering them under the Securities Act of 1933:

Name	Date Acquired	Number of Shares	Aggregate Consideration
------	------------------	---------------------	----------------------------

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Steven D. Moulton	11/18/02	100,000	\$28,000 (1)
Lane S. Clissold	11/18/02	100,000	\$28,000 (1)
Steven D. Moulton	11/18/03	200,000	\$10,413 (2)
Lane S. Clissold	11/18/03	200,000	\$10,413 (2)

(1) Effective November 18, 2002, Steven D. Moulton and Lane S. Clissold together converted approximately \$50,000 principal amount of loans and approximately \$6,000 in accrued interest to a total of 200,000 post-split shares of Draco's restricted common stock (100,000 shares each) at an effective purchase price of approximately \$0.28 per share.

(2) Effective November 18, 2003, Steven D. Moulton and Lane S. Clissold together converted approximately \$20,000 principal amount of loans and approximately \$825 in accrued interest to a total of 400,000 post-split shares of Draco's restricted common stock (200,000 shares each) at an effective purchase price of approximately \$0.052 per share.

The stock sales described above were made directly by Draco without an underwriter. No underwriting discounts or commissions were charged. In selling these securities, Draco relied on the exemption from federal securities registration provided by section 4(2) of the Securities Act of 1933

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for transactions not involving any public offering, and the shares were appropriately restricted.

Item 6. Management's Discussion and Analysis or Plan of Operation.

Plan of Operation.

Our auditor has indicated in a footnote to our financial statements that we have not yet established an on-going source of revenues sufficient to cover our operating costs and to allow us to continue as a going concern. Our ability to continue as a going concern is dependent on us obtaining adequate capital to fund operating losses until we become profitable. If we are unable to obtain adequate funding, we could be forced to cease operations. Two of our directors, Lane S. Clissold and Steven D. Moulton, have verbally committed to loan Draco additional funds for at least the next twelve months to help Draco remain current in its periodic reporting obligations to the U.S. Securities and Exchange Commission.

Our plan of operations for the next twelve months is to continue operating our children's entertainment business with our bounce houses primarily in the St. George, Utah area, the Mesquite, Nevada area, and in nearby communities. This 12 month plan of operations includes our goals of increasing revenue from our bounce house rental business, expanding our services to include other nearby small towns and communities, evaluate the possibility of opening a second store to be located in Mesquite, Nevada, hire additional employees, and/or independent contractors if we are successful in expanding our business, and reach profitability. To achieve these goals during the next 12 months, we intend to provide superior service, possibly purchase one or two more popular style bounce houses that our competitors do

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not have, and raise additional funds on an as needed basis to cover operating losses. Management believes that these plans can be successfully implemented.

During the next 12 months, our only foreseeable cash requirements will relate to maintaining Draco in good standing, preparing and filing required periodic reports with the Securities and Exchange Commission, and funding operations for our children's entertainment bounce house business. We believe that cash on hand will be sufficient for approximately the next three months. After that, we may need to fund operations through the possible sale of restricted common stock by Draco and/or through additional loans that may be made by our officers and directors. We anticipate that we will have to raise \$10,000 or less during the next twelve months, if we do not purchase additional bounce houses. If we purchase additional bounce houses our cash needs will increase by approximately \$3,500 to \$5,500 for each new bounce house purchased. We do not expect any significant changes in the number of our employees during the next twelve months.

In view of Draco's recurring losses and the loss of revenue during the last 12 months, Draco's management is evaluating what can be done to increase business to help Draco achieve profitability. In the event Draco continues to generate losses without showing significant improvement, Draco's management may consider selling the business or its assets, terminating the business and/or searching for other business opportunities.

Managements Discussion and Analysis of Financial Condition and Results of ----- Operations. -----

Results of Operations. During the year ended December 31, 2003, Draco experienced a net loss of \$460,946, or (\$1.15) per share, which is \$411,653

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more than the \$49,293 net loss, or (\$0.46) per share, incurred for the year ended December 31, 2002. The increase in net loss is primarily due a \$395,175 loss on extinguishment of debt associated with the issuance of 416,000 post-split shares of Draco's common stock as payments on outstanding debts. Due to the fact that Draco's common stock is thinly traded and does not have a strong market presence, Draco elected to issue these shares at a discount to market. Due to these discounted issuances, Draco realized a loss on extinguishments of debt during the year ended December 31, 2003 of \$395,175.

For the year ended December 31, 2003, Draco reported revenues of \$10,441, comprised entirely of income from the Jump'n Jax, Inc. subsidiary business of equipment rental and leasing of inflatable bounce houses for parties and entertainment, which is \$6,175 less than \$16,616 revenues reported for the year ended December 31, 2002. The decrease in revenues is attributed to a decrease in business during the later periods, which management believes is partially due to the fact that the President of Jump'n Jax, Inc. had to seek full time employment elsewhere and has had less time available to devote to Draco's business, and also due to the unusually hot temperatures Southern Utah has experienced this year and fewer rentals as a result of the unusually not temperatures.

Total operating expenses for the year ended December 31, 2003 were \$82,096, or \$19,187 more than the total operating expenses of \$62,909 incurred during the year ended December 31, 2002. All of the operating expenses incurred during the year ended December 31, 2003 and December 31, 2002 were

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from depreciation and general and administrative expenses. The increase in operating expenses for the year ended December 31, 2003 is primarily due to an increase in stock based compensation. Approximately 28% of the operating expenses incurred during the year ended December 31, 2003, were primarily associated with legal and accounting expenses. The remaining operating expenses were primarily related to operating expenses of a recurring nature such as salaries, advertising, and other general and administrative expenses.

During the year ended December 31, 2003, Draco experienced a loss on extinguishment of debt of \$395,175 associated with the issuance of stock at below market prices, as explained above. During the year ended December 31, 2002, Draco experienced no loss on extinguishments of debt.

Increased competition has had, and may continue to have, an adverse affect on Draco's results of operations. It may affect Draco's ability to increase and/or retain existing business. Increased competition could result in price cutting and lower revenues. In order to compete effectively, Draco may have to spend more funds on advertising or Draco may have to lower prices or offer incentives such as free party supplies. All of this may adversely affect Draco's results of operations.

Draco's business is seasonal. The St. George, Utah area has mild winters, and Draco is able to engage in its business throughout the year. Although summers bring very hot weather to the St. George, Utah area, prior to 2003 Draco experienced its largest sales revenues during summer months. Draco attributes this historical increase in business during summer months to an increase in children's entertainment while children are out of school. Many summer rentals occur in the mornings and evenings.

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Balance Sheet Information

Assets

As of December 31, 2003, Draco reported total assets of \$14,809, down \$3,712 from the \$18,521 reported as of December 31, 2002. Current assets at December 31, 2003 were \$5,990, down \$285 from the \$6,275 reported as of December 31, 2002.

Liabilities

Draco's liabilities as of December 31, 2003 consist of accounts payable of \$888.

Total liabilities of Draco decreased \$7,766 from \$8,654 as of December 31, 2002, to \$888 as of December 31, 2003. The decrease in total liabilities reflects the conversion of \$20,000 in the principal amount of loans made by Draco's officers and directors (Steven D. Moulton and Lane S. Clissold) to Draco and the accrued interest on the loans of approximately \$825 to 400,000 post-split shares of common stock (200,000 shares each), partially offset by the net loss incurred during the year ended December 31, 2003.

Liquidity and Capital Resources - December 31, 2003

The Independent Auditors' Report dated February 11, 2004 accompanying Draco's audited financial statements for the years ended December 31, 2003 and 2002, expresses substantial doubt as to Draco's ability to continue as a going concern on the basis that Draco has not established revenues sufficient to

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cover its operating costs and allow it to continue as a going concern. Management's goal is to increase operations and revenues through its wholly-owned subsidiary. Draco has a significant working capital deficit, and Draco has continued to generate losses.

Draco believes that its liquid resources are adequate to maintain operations through cash on hand and through internally generated cash flows for a period of approximately three months. After that Draco will likely need to raise additional capital through the sale of its restricted common stock or by obtaining additional loans from its officers and directors. Draco's officers and directors have verbally committed to loan funds to Draco to meet its operating expenses for at least the next three months. However, Draco has not identified any specific source of long term liquidity. No assurance can be given that Draco's resources will be adequate to take advantage of opportunities to expand the business as they arise, or that any such expansion opportunities will materialize.

Item 7. Financial Statements.

DRACO HOLDING CORPORATION AND SUBSIDIARY

CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2003

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INDEPENDENT AUDITORS' REPORT

Board of Directors
Draco Holding Corporation and Subsidiary
Salt Lake City, Utah

We have audited the accompanying balance sheet of Draco Holding Corporation and Subsidiary as of December 31, 2003, and the related statements of operations, stockholders' equity, and cash flows for the years ended December 31, 2003 and 2002. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Draco Holding Corporation and Subsidiary as of December 31, 2003 and the results of its operations and its cash flows for the years ended December 31, 2003 and 2002 in conformity with accounting principles generally accepted in the United States of America.

The accompanying financial statements have been prepared assuming that the Company will continue as a going concern. As discussed in Note 2 to the financial statements, the Company has had no significant operating results to date, which raises substantial doubt about its ability to continue as a going concern. Management's plans in regard to these matters are also described in Note 2. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

/s/ HJ & Associates, LLC

HJ & Associates, LLC
Salt Lake City, Utah
February 11, 2004

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ASSETS

	December 31, 2003

CURRENT ASSETS	
Cash	\$ 5,990

Total Current Assets	5,990

EQUIPMENT	
Equipment (net) (Note 5)	8,819

Total Equipment	8,819

TOTAL ASSETS	\$ 14,809
	=====

LIABILITIES AND STOCKHOLDERS' EQUITY

CURRENT LIABILITIES

Accounts payable	\$ 888
Note payable - related party (Note 4)	-

Total Liabilities	888

STOCKHOLDERS' EQUITY

Common stock, \$0.001 par value; 20,000,000 shares authorized; 941,390 shares issued and outstanding	942
Additional paid-in capital	673,779
Accumulated deficit	(660,800)

Total Stockholders' Equity	13,921

TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	\$ 14,809
	=====

The accompanying notes are an integral part of these consolidated financial statements.

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	For the Years Ended December 31,	
	2003	2002
REVENUES	\$ 10,441	\$ 16,616
EXPENSES		
Depreciation	3,427	2,571
General and administrative	78,669	60,338
Total Expenses	82,096	62,909
LOSS FROM OPERATIONS	(71,655)	(46,293)
OTHER EXPENSES		
Loss on extinguishment of debt	(388,465)	-
Interest expense	(826)	(3,000)
Total Other Income (expense)	(389,291)	(3,000)
NET LOSS	\$ (460,946)	\$ (49,293)
BASIC LOSS PER SHARE	\$ (1.15)	\$ (0.46)
WEIGHTED AVERAGE NUMBER OF SHARES OUTSTANDING	399,561	107,416

The accompanying notes are an integral part of these consolidated financial statements.

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	Common Stock		Additional Paid-in Capital	Accumulated Deficit
	Shares	Amount		
Balance, December 31, 2001	81,390	\$ 81	\$ 135,749	\$ (150,561)
Common stock issued to related parties as payment of note payable and accrued interest at \$0.28 per share	200,000	200	55,691	-
Common stock issued for services rendered at \$0.25 per share	60,000	60	14,940	-
Contributed rent	-	-	3,000	-
Net loss for the year ended December 31, 2002	-	-	-	(49,293)
Balance, December 31, 2002	341,390	341	209,380	(199,854)
Common stock issued for services rendered at \$1.00 per share	16,000	16	15,983	-
Common stock issued for debt at \$1.00 per share	400,000	400	399,600	-
Common stock issued for services rendered at \$0.25 per share	168,000	168	41,832	-
Common stock issued for debt at \$0.25 per share	16,000	16	3,984	-
Contributed rent	-	-	3,000	-
Net loss for the year ended December 31, 2003	-	-	-	(460,946)
Balance, December 31, 2003	941,390	\$ 941	\$ 673,779	\$ (660,800)

The accompanying notes are an integral part of these consolidated financial statements

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DRACO HOLDING CORPORATION AND SUBSIDIARY Consolidated Statements of Cash Flows

	For the Years Ended December 31,	
	2003	2002
CASH FLOWS FROM OPERATING ACTIVITIES		
Net loss	\$ (460,946)	\$ (49,293)
Adjustments to reconcile net loss to net cash used by operating activities:		
Common stock issued for services	42,000	15,000
Depreciation	3,427	3,427
Contributed rent	3,000	3,000
Loss on extinguishments of debt	395,175	-
Changes in operating assets and liabilities:		
Increase in accounts payable	1,234	3,005
Increase in accrued interest	825	3,000
	-----	-----
Net Cash Used by Operating Activities	(15,285)	(21,861)
	-----	-----
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property and equipment	-	-
	-----	-----
Net Cash Used by Investing Activities	-	-
	-----	-----
CASH FLOWS FROM FINANCING ACTIVITIES		
Cash receipts on note payable - related party	15,000	15,000
	-----	-----
Net Cash Provided by Financing Activities	15,000	15,000
	-----	-----
NET DECREASE IN CASH	(285)	(6,861)
CASH AT BEGINNING OF PERIOD	6,275	13,136
	-----	-----
CASH AT END OF PERIOD	\$ 5,990	\$ 6,275
	=====	=====
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Cash paid for:		
Interest	\$ -	\$ -
Income taxes	\$ -	\$ -
SCHEDULE OF NON-CASH FINANCING ACTIVITIES		
Common stock issued for services	\$ 42,000	\$ 15,000
Common stock issued for conversion of debt to equity	\$ 420,000	\$ 55,891

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The accompanying notes are an integral part of these consolidated financial statements.

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DRACO HOLDING CORPORATION AND SUBSIDIARY Notes to the Consolidated Financial Statements December 31, 2003 and 2002

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. Organization

Draco Holding Corporation (the Company) was organized August 20, 1999 under the laws of the State of Nevada for the purpose of engaging in any lawful activity. On September 13, 1999, Draco Holding Corporation filed articles of merger whereby Draco Corporation (a Utah corporation formed on December 17, 1985) ("Draco-Utah") merged into Draco Holding Corporation (the Company). The Company became the surviving corporation, assuming all the assets and obligations of Draco-Utah. At the time of merger, each outstanding share of common stock of Draco-Utah was converted into one share of common stock of the Company, and all fractional shares were rounded to the nearest whole share. Since inception, the Company has been deemed to be a "development stage company" as that term is defined under Rule 1-02(h) of Regulation SX. This regulation states that a company shall be considered in the development stage if it is devoting all of its efforts to establishing a new business and either of the following conditions exist: (1) planned principal operations have not commenced, or (2) planned principal operations have commenced, but there has been no significant revenue therefrom. During the year ended December 31, 2003, the Company's management and board of directors determined that the Company's operations were sufficiently established such that the Company was fit to exit the development stage. Therefore, the Company's operations for the year ended December 31, 2003 are considered to have transpired subsequent to the cessation of the development stage.

In March 2000, the Company incorporated Jump'n Jax, Inc., a Utah Corporation, a wholly-owned subsidiary in accordance with Statement on Financial Accounting Standards No. 141. The Subsidiary is in the business of equipment rental and the leasing of inflatable bounce houses for parties and entertainment.

b. Provision for Taxes

Deferred taxes are provided on a liability method whereby deferred tax assets are recognized for deductible temporary differences and operating loss and tax credit carryforwards and deferred tax liabilities are recognized for taxable temporary differences. Temporary differences are the differences between the reported amounts of assets and liabilities and their tax bases. Deferred tax assets are reduced by a valuation allowance when, in the opinion of management, it is more likely than not that some portion or all of the deferred tax assets will not be realized. Deferred tax assets and liabilities are adjusted for the effects of changes in tax laws and rates on the date of enactment.

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DRACO HOLDING CORPORATION AND SUBSIDIARY
Notes to the Consolidated Financial Statements (Continued)
December 31, 2003 and 2002

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

b. Provision for Taxes (Continued)

Net deferred tax assets consist of the following components as of December 31, 2003 and 2002:

	2003	2002
	-----	-----
Deferred tax assets:		
NOL Carryover	\$ 45,600	\$ 37,854
Deferred tax liabilities:		
Depreciation	(1,100)	(1,415)
Valuation allowance	(44,500)	(36,439)
	-----	-----
Net deferred tax asset	\$ -	\$ -
	=====	=====

The income tax provision differs from the amount of income tax determined by applying the U.S. federal and state income tax rates of 39% to pretax income from continuing operations for the years ended December 31, 2003 and 2002 due to the following:

	2003	2002
	-----	-----
Book Income	\$ (179,770)	\$ (18,054)
Depreciation	280	(229)
Other	250	(200)
Loss on Debt Extinguishment	151,500	-
Stock for services	18,775	5,850
Valuation allowance	8,965	12,633
	-----	-----
	\$ -	\$ -
	=====	=====

At December 31, 2003, the Company had net operating loss carryforwards of approximately \$97,000 that may be offset against future taxable income from the year 2003 through 2022. No tax benefit has been reported in the December 31, 2003 consolidated financial statements since the potential tax benefit is offset by a valuation allowance of the same amount.

Due to the change in ownership provisions of the Tax Reform Act of 1986, net operating loss carryforwards for Federal income tax reporting purposes are subject to annual limitations. Should a change in ownership occur, net operating loss carryforwards may be limited as to use in future years.

c. Accounting Method

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The consolidated financial statements are prepared using the accrual method of accounting. The Company has elected a calendar year-end.

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DRACO HOLDING CORPORATION AND SUBSIDIARY
Notes to the Consolidated Financial Statements (Continued)
December 31, 2003 and 2002

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

d. Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

e. Revenue Recognition

Revenues are recognized when rentals of equipment are completed and cash is received. The Company rents-out entertainment equipment through a subsidiary for parties and other group gatherings. No products are sold and no inventory is on hand.

f. Basic Loss Per Share

The computations of basic loss per share of common stock are based on the weighted average number of shares of common stock outstanding during the period of the financial statements.

	For the Years Ended December 31,	
	2003	2002
Basic loss per share:		
Numerator - net loss	\$ (460,946)	\$ (49,293)
Denominator - weighted average number of shares outstanding	399,561	107,416
Loss per share	\$ (1.15)	\$ (0.46)

g. Newly Issued Accounting Pronouncements

During the year ended December 31, 2003, the Company adopted the following accounting pronouncements which had no impact on the financial statements or results of operations:

- . SFAS No. 143, Accounting for Asset Retirement Obligations;
- . SFAS No.145, Recision of FASB Statements 4, 44, and 64, amendment of Statement 13, and Technical Corrections;
- . SFAS No. 146, Accounting for Exit or Disposal Activities;
- . SFAS No. 147, Acquisitions of certain Financial Institutions; and
- . SFAS No. 148, Accounting for Stock Based Compensation.
- . SFAS No.149, Amendment of Statement 133 on Derivative Instruments and Hedging Activities;

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- . SFAS No.150, Accounting for Certain Financial Instruments with Characteristics of both Liabilities and Equity

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DRACO HOLDING CORPORATION AND SUBSIDIARY
Notes to the Consolidated Financial Statements (Continued)
December 31, 2003 and 2002

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

f. Advertising Expense

The Company expenses advertising costs as incurred. Advertising expense for the years ended December 31, 2003 and 2002 totaled \$2,887 and \$4,358, respectively.

NOTE 2 - GOING CONCERN

The Company's consolidated financial statements are prepared using accounting principles generally accepted in the United States of America applicable to a going concern which contemplates the realization of assets and liquidation of liabilities in the normal course of business. The Company has not established revenues sufficient to cover its operating costs and allow it to continue as a going concern. Management intends to increase operations through its wholly-owned subsidiary, in the interim, management and primary shareholders are committed to meeting the Company minimal operating expenses.

NOTE 3 - STOCK TRANSACTIONS

In November 2002, the Company issued 200,000 (post-split) shares of its restricted common stock to related parties in exchange for the total satisfaction of the Company's notes payable to the related parties. On the date of issuance, the principal balances of the notes totaled \$50,048, with accrued interest of \$5,843. The shares issued were valued at \$0.28 per share.

In December 2002, the Company issued 60,000 (post-split) shares of its common stock at \$0.25 per share to various investors as consideration for services rendered.

In June 2003, the Company issued 16,000 post-split shares to an unrelated individual as consideration for accounts payable of \$6,710 at \$1.00 per share. In November, the Company issued 400,000 post-split shares to related parties as payments on \$20,825 of debt. These shares were also valued at \$1.00 per share.

In December 2003, the Company declared a 1-for-25 reverse stock split. At the time of the reverse split, the Company had 18,934,750 shares outstanding, which became 757,390 shares immediately following the split. All references to common stock activity preceding the date of this reverse-split have been retroactively restated to show the affect of this action.

In December 2003 the Company issued an additional 168,000 shares of common stock for services rendered at \$0.25 per share, and an additional 16,000 shares for accounts payable of \$4,000 at \$0.25 per share.

DRACO HOLDING CORPORATION AND SUBSIDIARY
 Notes to the Consolidated Financial Statements
 December 31, 2003 and 2002

NOTE 4 - RELATED PARTY TRANSACTIONS

As needed, the Company's officers and directors have loaned the Company funds to cover operating expenses. These loans accrue interest at 10%, are unsecured and are due upon demand. During the year ended December 31, 2003, these officers loaned the Company a total of \$15,000. In December 2003, the Company issued 400,000 post-split shares of common stock as a payment of its balance owing on the notes. At December 31, 2003, the balance on the notes totaled \$-0-.

NOTE 5 - FIXED ASSETS

In May 2000, the Company purchased inflatable "bounce-houses," shown below as rental equipment, which are rented-out to customers for parties, gatherings, etc. The equipment is depreciated over a 7-year life using the straight-line method of depreciation. The Company purchased an automobile in May 2000, which has a 5-year depreciable life. Depreciation on the automobile is also computed using the straight-line method. Fixed assets and accumulated depreciation for the period are as follows:

	December 31, 2003

Rental equipment	\$ 13,626
Automobile	7,403
Accumulated depreciation	(12,210)

Total	\$ 8,819
	=====

Depreciation expense for the years ended December 31, 2003 and 2002 was \$3,427 and \$3,427, respectively.

NOTE 6 - LOSS ON SETTLEMENT OF DEBT

During the year ended December 31, 2003, the Company issued an aggregate of 416,000 (post-split) shares of common stock to various parties as payments on outstanding debts. Due to the fact that the Company's common stock is thinly traded and does not have a strong market presence, the Company elected to issue these shares at a discount to market. Due to these discounted issuances, the Company realized a loss on extinguishments of debt during the period of \$388,465. The Company also issued an additional 16,000 shares of its common stock as payment on other outstanding debts at market value, realizing no loss on extinguishments.

Item 8. Changes in and Disagreements with Accountants on Accounting and

 Financial Disclosure.

None; not applicable.

Item 8A. Controls and Procedures.

(a) Evaluation of Disclosure Controls and Procedures.

The Company's Chief Executive Officer, Lane S. Clissold, and Chief Financial Officer, Steven D. Moulton, have reviewed the Company's disclosure controls and procedures as of the end of the period covered by this report. Based upon this review, these officers believe that the Company's disclosure controls and procedures are effective in ensuring that material information related to the Company is made known to them by others within the Company.

(b) Changes in Internal Controls Over Financial Reporting.

There have been no significant changes in internal controls over financial reporting that occurred during the fiscal period covered by this report that have materially affected, or are reasonably likely to materially affect, the registrant's internal control over financial reporting.

PART III

Item 9. Directors, Executive Officers, Promoters and Control Persons;

 Compliance with Section 16(a) of the Exchange Act.

Identification of Directors and Executive Officers.

The following table sets forth the names of all current directors and executive officers of Draco. These persons will serve until the next annual meeting of the stockholders (held in September of each year) or until their successors are elected or appointed and qualified, or their prior resignation or termination.

Name	Positions Held	Date of Election or Designation	Date of Termination or Resignation
Lane S. Clissold	President/ Director	8/99	*
Steven D. Moulton	Secretary/ Treasurer Director	8/99	*

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* These persons presently serve in the capacities indicated.

Business Experience.

Lane S. Clissold, Director and President. Mr. Clissold is 52 years old. He graduated from Skyline High School in Salt Lake City, Utah in 1969. From 1969 until 1979, Mr. Clissold worked for The Utah Department of Transportation in the construction engineering and safety departments. During that period of time, Mr. Clissold attended Utah State University, The University of Utah and Brigham Young University. Mr. Clissold graduated in 1976 with a degree in engineering. In 1977, Mr. Clissold bought Alpine Auto Renovations and is still President and

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co-owner. Mr. Clissold has been an officer and director of a few publicly held developmental stage companies including Sound Industries, (Director and President from January of 1995 until May of 1997); Rotunda Oil and Mining, (Director and President from November 1995 to November of 1998), and is currently a director and Secretary/Treasurer of Treasure Mountain Holdings, Inc.

Steven D. Moulton, Director and Secretary. Mr. Moulton is 41 years of age. He graduated from Olympus High School in Salt Lake City, Utah in 1980. From 1984 to 1990, he served as a director and executive officer of several publicly-held development stage companies including Safron, Inc. (director and Vice President); Sagitta Ventures (director and President); Jasmine Investments (director and President); Java, Inc. (Secretary/Treasurer and director); and Onyx Holdings Corporation (director and President). From 1991 to 1994, Mr. Moulton was a director and President of Omni International Corporation, which is currently known as "Beachport Entertainment Corporation." From 1987 until 1991 he was President and director of Icon Systems, Inc. and served as Secretary/Treasurer of the same company until his resignation on December 24, 1998. From 1995 to July 1996, he served as director and Vice President of Wasatch International Corporation, formerly Java, Inc. From February 1996 until November, 1999 he served as the President and director of InsiderStreet.com, formerly Sierra Holding Group, Inc. Since December, 1997, Mr. Moulton has been associated with Rocky Mountain Fudge Company, Inc. (director and Vice President), a public candy company. From December 1997 until June 2001, Mr. Moulton was the President and a director of Quazon Corp., a blank check company. In June 2001, Quazon Corp. acquired Scientific Energy, Inc., and Mr. Moulton resigned as an officer and director of Quazon Corp. at that time. From December, 1997 until approximately September 1999, Mr. Moulton served as a director and President of Bear Lake Recreation, Inc., a public snowmobile rental company. Also, from December 1997 to the present, Mr. Moulton has been a director and President of XEBec International, Inc., a shell company looking for a merger or acquisition. With the exception of Sagitta Ventures, Omni International Corporation, Wasatch International, Icon Systems, Inc. and InsiderStreet.com, formerly, Sierra Holding Group, Inc, none of these companies was subject to the reporting requirements of the commission. Mr. Moulton owned and operated a Chem-Dry carpet cleaning franchise from 1991 to 1995.

Significant Employees.

Draco has no employees who are not executive officers, but who are expected to make a significant contribution to Draco's business other than Todd Wheeler who serves as an officer and director of Draco's subsidiary,

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Jump'n Jax. It is expected that current members of management and the Board of Directors will be the only persons whose activities will be material to Draco's operations.

Family Relationships.

There are no family relationships between any directors or executive officers of Draco, either by blood or by marriage.

Involvement in Certain Legal Proceedings.

During the past five years, no present or former director, executive officer or person nominated to become a director or an executive officer of the Company:

(1) was a general partner or executive officer of any business against which any bankruptcy petition was filed, either at the time of the bankruptcy or two years prior to that time;

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(2) was convicted in a criminal proceeding or named subject to a pending criminal proceeding (excluding traffic violations and other minor offenses);

(3) was subject to any order, judgment or decree, not subsequently reversed, suspended or vacated, of any court of competent jurisdiction, permanently or temporarily enjoining, barring, suspending or otherwise limiting his involvement in any type of business, securities or banking activities; or

(4) was found by a court of competent jurisdiction (in a civil action), the Securities and Exchange Commission or the Commodity Futures Trading Commission to have violated a federal or state securities or commodities law, and the judgment has not been reversed, suspended or vacated.

Section 16(a) Beneficial Ownership Reporting Compliance.

Based upon a review of Forms 3 and 4 furnished to Draco under Rule 16a-3(d) during its most recent fiscal year, Draco knows of no person who was a director, officer or beneficial owner of more than ten percent of Draco's common stock, who failed to file on a timely basis any reports required to be filed pursuant to Section 16(a) of the Securities Exchange Act of 1934.

Item 10. Executive Compensation.

Cash Compensation.

The following table sets forth the aggregate compensation paid by Draco to its Chief Executive Officer, and also to any other executive officer who earned more than \$100,000 in total annual salary and bonus in any year reported, for services rendered during the periods indicated:

SUMMARY COMPENSATION TABLE

(a)	(b)	Annual Compensation			Long Term Compensation			
		(c)	(d)	(e)	Awards		Payouts	
Name and Principal Position	Year or Period Ended	Salary (\$)	Bonus (\$)	Other Annual Compen- sation	Rest- ricted Stock	Secur- ities Under- lying Options	LTIP Pay- outs	All Other Compen- sation
Lane S. Clissold President Director	12/31/01 12/31/02 12/31/03	0 0 0	0 0 0	0 8,000 (1) 50,000 (2)	0 0 0	0 0 0	0 0 0	0 0 0

(1) Effective December 19, 2002, Steven D. Moulton, Lane S. Clissold, Diane Nelson and Todd Wheeler each received 8,000 post-split shares of Draco's common stock, valued at \$0.25 per share (\$2,000 per person), as compensation for services rendered to Draco. The shares were registered on a Form S-8 registration statement.

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(2) Effective December 30, 2003, Steven D. Moulton and Lane S. Clissold each received 50,000 shares of Draco's common stock, valued at \$0.25 per share (\$12,500 per person), as compensation for services rendered to Draco. Todd Wheeler received 30,000 shares of Draco's common stock, valued at \$0.25 per share (\$7,500), as compensation for services rendered to Draco. The shares were registered on a Form S-8 registration statement.

Except as stated below, no deferred compensation or long-term incentive plan awards were issued or granted to Draco's management during the fiscal years ended December 31, 2003 and 2002. Further, no member of Draco's management has been granted any option or stock appreciation rights. Accordingly, no tables relating to such items have been included within this Item.

In each of Draco's last two fiscal years, Draco has approved issuances of common stock to its officers, directors and key employees, to partially compensate them for their services. There are no present plans whereby Draco would issue any of its securities to management, promoters, their affiliates or associates in consideration of future services to be rendered or otherwise.

Compensation of Directors.

Draco has no arrangement for compensating its directors.

Employment Contracts and Termination of Employment and Change-in-Control

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Arrangements.

There are no employment contracts, compensatory plans or arrangements, including payments to be received from Draco, with respect to any director or executive officer of Draco which would in any way result in payments to any such person because of his or her resignation, retirement or other termination of employment with Draco or its subsidiaries, any change in control of Draco, or a change in the person's responsibilities following a change in control of Draco.

There are no agreements or understandings for any director or executive officer to resign at the request of another person. None of Draco's directors or executive officers is acting on behalf of or will act at the direction of any other person.

Bonuses and Deferred Compensation.

None.

Compensation Pursuant to Plans.

None.

Pension Table.

None.

Other Compensation.

None.

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Item 11. Security Ownership of Certain Beneficial Owners and Management.

Security Ownership of Certain Beneficial Owners.

The following table sets forth the share holdings of those persons who are known to Draco to be the beneficial owners of more than five percent of Draco's common stock as of January 21, 2004. Each of these persons has sole investment and sole voting power over the shares indicated.

Name and Address -----	Number of Shares Beneficially Owned -----	Percent of Class -----
Steven D. Moulton 4848 S. Highland Dr., #353 Salt Lake City, Utah 84117	382,100*	40.6%
Lane S. Clissold 135 West 900 South	378,000 -----	40.2% -----

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Salt Lake City, Utah 84101

TOTALS 760,100* 80.7%

* 4,000 of these shares are held of record by Excel Properties LLC, which is controlled by Mr. Moulton.

Security Ownership of Management.

The following table sets forth the share holdings of Draco's directors and executive officers as of January 21, 2004. Each of these persons has sole investment and sole voting power over the shares indicated.

Table with 3 columns: Name and Address, Number of Shares Beneficially Owned, Percent of Class. Rows include Steven D. Moulton (382,100*, 40.6%), Lane S. Clissold (378,100, 40.2%), and All directors and executive officers as a group (2) (760,100*, 80.7%).

* 4,000 of these shares are held of record by Excel Properties LLC, which is controlled by Mr. Moulton.

Changes in Control.

There are no present arrangements or pledges of Draco's securities which may result in a change in control of Draco.

Item 12. Certain Relationships and Related Transactions.

Transactions with Management and Others.

During the past two years, there have been no material transactions, series of similar transactions, currently proposed transactions, or series of similar

transactions, to which Draco or any of its subsidiaries was or is to be a party, in which the amount involved exceeded \$60,000 and in which any director or executive officer, or any security holder who is known to Draco to own of record or beneficially more than five percent of Draco's common stock, or any member of the immediate family of any of the foregoing persons, had a material interest, other than the following:

- (1) Two of the current directors and executive officers acquired "unregistered" and "restricted" shares of Draco's common stock in November 2002 and November 2003. Steven D. Moulton and Lane S. Clissold each received an aggregate of 100,000 "unregistered" and "restricted"

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post-split shares in November 2002 in consideration of converting loans which totaled \$50,048 in principal and approximately \$6,000 in accrued interest (approximately \$28,000 each). Steven D. Moulton and Lane S. Clissold each received an aggregate of 200,000 "unregistered" and "restricted" post-split shares in November 2003 in consideration of converting loans which totaled \$20,000 in principal and approximately \$825 in accrued interest (approximately \$10,413 each). The shares issued to Mr. Moulton and Mr. Clissold in November 2003 as consideration for converting their loans, were issued at a substantial discount to the \$1.00 per share fair market value of the shares. This resulted in a loss on extinguishment of debt to Draco of approximately \$388,465.

(2) Steven D. Moulton, Lane S. Clissold, Diane Nelson and Todd Wheeler each received 8,000 post-split shares of Draco's common stock, valued at \$0.25 per share (\$2,000 per person) in December 2002, as compensation for services rendered to Draco. Steven D. Moulton and Lane S. Clissold each received 50,000 post-split shares, and Todd Wheeler received 30,000 post-split shares, valued at \$0.25 per share, in December 2003, as compensation for services rendered to Draco. The shares issued in December 2002 and 2003 for services rendered were registered on a Form S-8 registration statement. See the caption "Executive Compensation" of this report.

(3) Steven D. Moulton and Lane S. Clissold have each loaned Draco funds to support its ongoing operations. As described above, \$50,048 in principal and approximately \$6,000 in accrued interest of these loans were converted to shares of Draco common stock in November 2002, and \$20,000 in principal and approximately \$825 in accrued interest of these loans were converted to shares of Draco common stock in November 2003. The loans accrued interest at 10% per annum, were unsecured and were due on demand.

Parents of the Issuer.

Draco has no parents, except to the extent that Messrs. Moulton and Clissold may be deemed to be parents by virtue of their stock holdings. See the caption "Security Ownership of Certain Beneficial Owners and Management" of this report.

Transactions with Promoters.

During the past two years, there have been no material transactions, series of similar transactions, currently proposed transactions, or series of similar transactions, to which Draco or any of its subsidiaries was or is to be a party, in which the amount involved exceeded \$60,000 and in which any promoter or founder, or any member of the immediate family of any of the foregoing persons, had a material interest. However, see the caption "Transactions with Management and Others" of this Report.

Item 13. Exhibits and Reports on Form 8-K.

Exhibits

Exhibit

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Number -----	Description -----
3.1	Articles of Incorporation*
3.2	By-Laws*
3.3	Articles of Merger between Draco Holding Corporation and Draco Corp.*
10.4	Agreement Dated November 18, 2002 (Conversion of loans to stock) between Lane S. Clissold, Steven D. Moulton, and Draco Holding Corporation**
10.5	Promissory Note for \$5,000 from Draco Holding Corporation to Lane S. Clissold**
10.6	Agreement Dated November 18, 2003 (Conversion of loans to stock) between Lane S. Clissold, Steven D. Moulton, and Draco Holding Corporation
31.1	Certification of Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
31.2	Certification of Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
32.1	Certification of Chief Executive Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
32.2	Certification of Chief Financial Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
	Summaries of all exhibits contained within this Report are modified in their entirety by reference to these Exhibits.
	* Exhibits 3.1, 3.2 and 3.3 are incorporated by reference from Draco's Form 10-KSB for the year ended December 31, 2000 filed on March 28, 2001.
	** Exhibits 10.4 and 10.5 are incorporated by reference from Draco's Form 10-KSB for the year ended December 31, 2002 filed on March 25, 2003.

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Reports on Form 8-K. -----

Draco filed no reports on Form 8-K during the last quarter of the period

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covered by this report.

Item 14. Principal Accountant Fees and Services.

Audit Fees.

For the fiscal years ended December 31, 2003 and 2002, our principal accountant billed \$6,977 and \$5,859, respectively, for the audit of our annual financial statements and review of financial statements included in our Form 10-QSB filings.

Audit-Related Fees.

There were \$0 and \$0 in fees, respectively, billed for services reasonably related to the performance of the audit or review of our financial statements outside of those fees disclosed above under "Audit Fees" for the fiscal years ended December 31, 2003 and 2002.

Tax Fees.

For the fiscal years ended December 31, 2003 and 2002, our principal accountant billed us \$0 and \$0, respectively, for services for tax compliance, tax advice, and tax planning work.

All Other Fees.

There were \$0 and \$0 in other fees, respectively, billed by our principal accountants other than those disclosed above for fiscal years ended December 31, 2002 and 2003.

Pre-Approved Policies and Procedures.

Prior to engaging our accountants to perform a particular service, our board of directors obtains an estimate for the service to be performed. All of the services described above were approved by the board of directors in accordance with its procedures.

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SIGNATURES

In accordance with Section 13 or 15(d) of the Exchange Act, the registrant caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

DRACO HOLDING CORPORATION

Date: February 17, 2004

/s/ Lane S. Clissold
By _____
Lane S. Clissold, Director and
President

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Certification of Chief Financial Officer
pursuant to Section 906 of the Sarbanes-
Oxley Act of 2002

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Summaries of all exhibits contained within
this Report are modified in their entirety
by reference to these Exhibits.

- * Exhibits 3.1, 3.2 and 3.3 are incorporated
by reference from Draco's Form 10-KSB
for the year ended December 31, 2000 filed
on March 28, 2001.
- ** Exhibits 10.4 and 10.5 are incorporated by
reference from Draco's Form 10-KSB for the
year ended December 31, 2002 filed on
March 25, 2003.