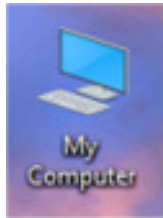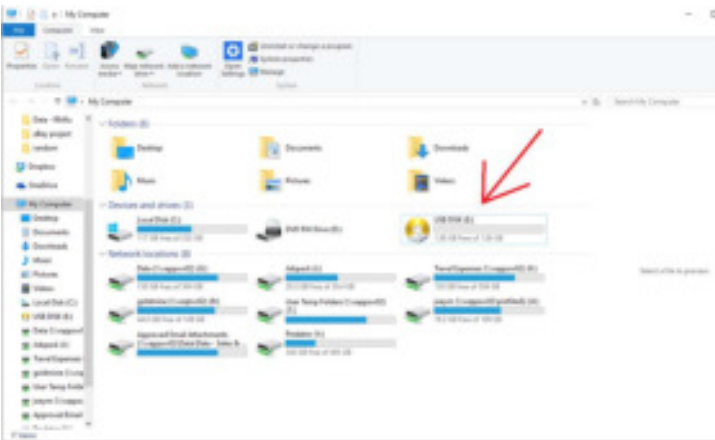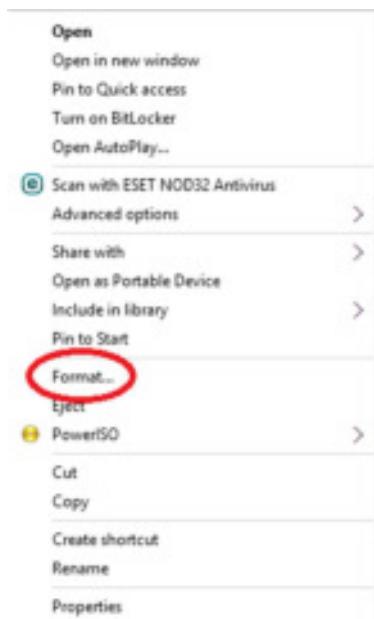1. Make sure your USB stick is 2gb or less; this is the maximum FAT16 partition size.
2. Navigate to My Computer and double-click it.
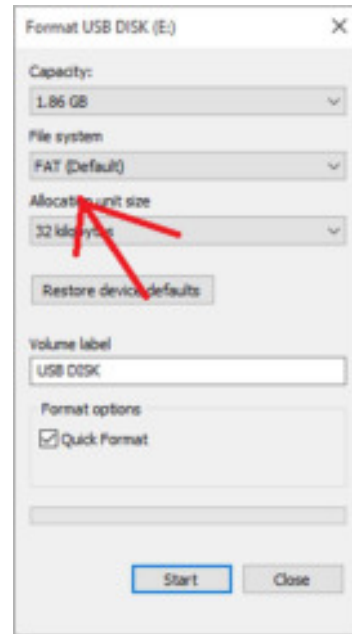   a. This is also sometimes called "Computer" or "This PC":

3. Right-click on your USB drive:

4. Select "Format…" in the context menu:

5. Set the drive to be formatted as "FAT-16," also sometimes called "FAT" *(not "FAT-32")*.

6. Once formatted, the USB drive should work properly in your Floppy Emulator.