

As filed with the Securities and Exchange Commission on \_\_\_\_\_.

REGISTRATION NO. \_\_\_\_\_

U.S. SECURITIES AND EXCHANGE  
COMMISSION WASHINGTON D.C. 20549  
FORM SB-2

REGISTRATION STATEMENT UNDER THE SECURITIES ACT OF 1933

THE FLOORING ZONE, INC.

-----  
(Name of Small Business Issuer in its Charter)

Nevada                      5211                      20-0019425

-----  
(State or Other Jurisdiction      (Primary Standard      (I.R.S. Employer  
of Incorporation or      Industrial Classification      Identification No.)  
Organization)              Code Number)

3219 Glynn Avenue, Brunswick, Georgia 31520  
(912) 264-0505

-----  
(Address and Telephone Number of Registrant's Principal Place of Business)

Gateway Enterprises, Inc.  
3230 East Flamingo Road, Suite 156 Las Vegas, Nevada 89121  
800 992-4333

-----  
(Name, Address and Telephone Number of Agent for Service)

Copies to:  
Ronald L. Poulton, Esq.  
Poulton & Yordan  
136 East South Temple, Suite 1700-A, Salt Lake City, Utah 84111  
(801) 355-1341

Approximate Date of Proposed Sale to the Public: As soon as practicable from time to time after this registration statement becomes effective.

If this Form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. [ ]

If this Form is a post-effective amendment filed pursuant to Rule 462(c) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. [ ]

If any of the securities being registered on this Form are to be offered on a delayed or continuous basis pursuant to Rule 415 under the Securities Act of 1933 check the following box. [ ]

If delivery of the prospectus is expected pursuant to Rule 434, please check the following box. [ ]

<TABLE>  
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CALCULATION OF REGISTRATION FEE

Title of each Class of Securities to be Registered	Number of Securities to be Registered	Proposed Maximum Offering Price Per Share	Proposed Maximum Aggregate Offering Price (1)	Amount of Registration Fee(1)
<S> Common Stock	<C> 10,000,000	<C> \$2.00	<C> \$20,000,000	<C> \$2,534

</TABLE>

(1) Estimated solely for the purpose of calculating the registration fee in accordance with Rule 457 under the Securities Act.

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 this registration statement shall become effective on such date as the Commission, acting pursuant to said Section 8(a)

may determine.

THE FLOORING ZONE, INC.  
Maximum Offering: 10,000,000 Common Shares  
Offering Price: \$2.00 per share

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The Flooring Zone, Inc.            This is our initial public offering.  
3219 Glynn Avenue                No public market exists currently  
Brunswick, Georgia 31520        for our common shares, although we

    intend to apply for trading on the  
    OTC Bulletin Board, or the NASD  
The Offering                            Small Cap market if this offering is  
    successful. We have not arranged to  
    have a broker/dealer make  
    application with the NASD to act as

    a market maker for our common stock  
Per Share    Maximum    after the offering.

Public Price ....	\$2.00	\$20,000,000	The offering price may not reflect
Underwriting			the market price of our shares after
Discounts .....	-0-	-0-	the offering. There is no minimum
Maximum			offering amount and no escrow of
Proceeds to us ..	\$2.00	\$20,000,000*	funds is required by us.

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\*Proceeds to The Flooring Zone, Inc. are shown before deducting estimated offering costs of \$200,000 including legal and accounting fees and printing costs payable by The Flooring Zone, Inc. This offering is self underwritten and will be managed by us. The shares will be offered and sold by our officers and directors without discounts or other commissions. We may also retain licensed broker/ dealers to assist us in the offer and sell of shares in this offering, if we deem such to be in our best interest. At this time we do not have any commitments, agreements or understandings with any broker/dealers. The maximum underwriting discounts and commissions we are willing to pay to engage broker/dealers is 10% of the proceeds realized from the sale of shares sold by such broker/dealers. In the event we retain any broker/dealers to assist in the offer and sell of units, such broker/dealers must receive approval from the NASD as to the reasonableness of the compensation paid by us to the broker/dealer.

Investing in these Shares involves a high degree of risk. The Shares offered should not be purchased by any investor who cannot afford to sustain the total loss of their investment. See "RISK FACTORS" on pages 4 through 6 for a discussion of certain material risk factors that should be considered in connection with an investment in the common shares offered hereby.

These securities have not been approved by the Securities and Exchange Commission or any state securities agency nor has the Commission or any agency passed upon the accuracy or adequacy of this prospectus. Any representation to the contrary is a criminal offense.

This offering will commence with the date of this prospectus and will end 270 days from that date, unless terminated earlier by us. There will be no extensions of time in which to continue this offering.

The date of this Prospectus is \_\_\_\_\_, 2004.

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PROSPECTUS SUMMARY

The Company

The Flooring Zone, Inc. is a Nevada corporation organized on May 5, 2003, to operate full service retail floorcovering stores. We have a wholly-owned subsidiary, The Flooring Zone of Georgia, Inc. The Georgia corporation was formed in 2000, by the founders of The Flooring Zone, Inc., and was established to develop our business concept in the retail floorcovering industry. Through our subsidiary we operate a total of three retail stores. We have stores in Brunswick and St. Mary's, Georgia and one in Yulee, Florida. We also maintain administrative offices and warehouse facilities in Brunswick, Georgia. We are conducting this offering to raise capital to expand our operations and store locations in the southeastern United States.

The Offering

Securities Offered: 10,000,000 Shares of \$.001 par value  
Company common stock.

Offering Price: \$2.00 per share.

Summary of Selected Financial Data: For the six months ended June 30, 2004,  
our financial data is as follows:

Balance Sheet Data (Unaudited)

Total Assets	\$ 964,930
Total Current Liabilities	\$ 900,658
Stockholders' Deficit	\$ 276,986
Net Tangible Book Value	\$ 964,930
Net Tangible Book Value Per Share	\$ 0.03

Operations Data (Unaudited)

Gross Profits	\$ 788,956
Expenses	\$ 729,767
Net Income (Loss)	\$ 59,189
Income(Loss) per Share	\$ (0.00)

Termination Date: This offering will commence with the date of this prospectus and will end 270 days from that date, unless terminated earlier by us. There will be no extensions of time in which to continue this offering.

RISK FACTORS

An investment in the Shares offered hereby involves a high degree of risk. You should carefully consider the following risk factors in addition to the other information set forth elsewhere in this prospectus, including the Financial Statements and Notes, prior to making an investment in The Flooring Zone, Inc.

If we are unable to expand into new markets, our ability to grow our business and to operate profitably could be materially adversely effected and you could lose some or all of the funds you invest in this offering. We intend to pursue an aggressive growth strategy for the foreseeable future. Our future operating results will depend largely upon our ability to open and operate new stores successfully. To support our growth, we employ a centralized management information system to integrate our store operations and financial data. There can also be no assurance that we will be able to expand our market presence in our existing markets or successfully enter new or contiguous markets by opening new stores or that any such expansion will not adversely affect our profitability and results of operations. If we are unable to manage this growth effectively, our business, results of operations and financial condition could be materially adversely affected.

If we are unable to manage this growth effectively, the Company's business, results of operations and financial condition could be materially adversely affected. Our ability to successfully open new stores is dependent on a number of factors including:

- o the ability to hire, train and assimilate management and store-level employees or the adequacy of the Company's financial resources
- o the ability to identify new and contiguous markets, to locate and construct suitable store sites, to negotiate acceptable lease terms and to successfully compete in new and contiguous markets
- o ability to minimize delay, increased expenses or loss of potential sites due to the complexities associated with the regulatory and permitting processes in the markets in which we attempt to locate our stores

There can be no assurance that the Company will be able to achieve the planned expansion, that the new stores will be accepted in the marketplace or that they will achieve planned operating results or results comparable with the existing Flooring Zone stores.

The floorcovering market is highly competitive. If we are unable to successfully compete in the industry, you could lose your entire investment. Competition in the retail floorcovering market is intense due to the significant number of retailers. The majority of flooring retailers are independently owned and operated stores. In addition, large retailers also provide significant competition, including The Home Depot, Inc., Lowe's and Sears, Roebuck & Co. Another significant competitor in the market is Shaw Industries, Inc., the world's largest carpet manufacturer. In 1995 Shaw Industries announced its decision to move into the retail floorcovering sector and has since acquired Carpetland USA, Inc and New York Carpet World, Inc. The principal methods of competition within the retail

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floorcovering industry include store location, product selection, merchandising strategy, customer service and price.

The floorcovering business is cyclical and our quarterly results of operations may fluctuate significantly based on various factors such as seasonality and economic downturns. If we encounter an unexpected or extended cyclical downturn, we may not have sufficient financial resources to continue operations, which could result in you losing all or part of your investment in our Company. Our quarterly operating results have fluctuated in the past and are expected to fluctuate in the future as a result of a variety of factors. We expect our business to continue to exhibit some measure of seasonality, which we believe is typical of the floorcovering industry. Individual stores generally experience lower net sales, operating income and cash flow from operations and lower sales of manufactured carpets in the first and fourth fiscal quarters when compared to the second and third quarters, due primarily to the effect of winter weather on home improvement projects. Other factors which may affect operating results include the timing of store openings and related pre-openings expenses, weather conditions, price increases by suppliers, actions by competitors, conditions in the carpet manufacturing, home building and improvement markets and the floorcovering industry in general. In addition, the floorcovering industry historically has been adversely impacted by economic downturns. The industry is also significantly influenced by economic conditions generally and particularly by consumer behavior, consumer confidence, the level of personal discretionary spending, the condition of the residential and commercial construction industries, interest rates, credit availability and the overall strength of the economy. A prolonged economic downturn could have a material adverse effect on financial results and our ability to continue operations.

You may lose the full amount of your investment if we were to lose the services of our President or other key senior management members. Our is largely dependent on the skills, experience and efforts of its senior management and especially its President and Chief Executive Officer, Jimmy S. Lee. The loss of the services of Mr. Lee or other members of our senior management could have a material adverse effect on our business and prospects. We believe that our future success will also depend in part upon our ability to attract, retain and motivate qualified personnel.

We are dependent upon several suppliers of floorcovering products. Any significant disruption or change in our relationships with these supplier could materially adversely effect our results of operations and the value of your investments in our Company. We rely on several large independent floorcovering manufacturers for the production of the floorcoverings we sell. In addition, our retail inventory management is highly dependent on the delivery capabilities of these manufacturers. Any significant changes in our relationships with manufacturers, or in the manner in which these manufacturers produce or

distribute their products, could have a material adverse effect on our operations. Although these manufacturers have been reliable, high-quality producers, there can be no assurance that in the future these manufacturers will be willing or able to meet our requirements on a timely basis or that their pricing and rebate policies will remain competitive. While we believe there are a number of alternative manufacturers capable of supplying and distributing the floorcovering products we sell, any delays in obtaining alternative suppliers could have a material adverse effect on our operations.

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We have a limited operating history. We have developed our company's business model based upon our experience in opening and operating three retail floorcovering stores located in southeast Georgia and Northeast Florida. Based upon the success of this offering, we intend to pursue a growth strategy by opening and operating new retail floorcovering stores in areas with greater populations such as Jacksonville, Florida and Atlanta, Georgia and other metropolitan area in the southern states. There can also be no assurance that we will be able to enter new or contiguous markets successfully.

If we are unsuccessful in gaining market share in the markets into which we expand, we will be unable to generate revenue from those stores and you may lose your entire investment. Our proposed business is based on our belief that we can successfully enter and compete in new markets. We believe market acceptance will be dependent on a number of factors including:

- o advertising and promotion;
- o acceptance from consumers;
- o availability of competing products and services;
- o pricing factors;
- o other intangible factors.

The abovementioned factors change rapidly and cannot be predicted with certainty. If we are unable to properly analyze market need and acceptance, we may not gain the market share in these new markets that we need to generate sufficient revenue to operate profitably. If our new stores cannot operate profitably, that could materially adversely effect the results of operations of the Company, which could result in you losing your entire investment.

There is no market for our securities which will cause your investment to be extremely illiquid and virtually impossible to sell. Currently, our stock is not listed on any established trading system. Therefore, the market for our common stock is limited and we cannot assure you that a market will ever be developed or maintained. The fact that most of our stock is held by a small number of investors, further reduces the liquidity of our stock and the likelihood that any active trading market will develop.

The market for our common stock is likely to be volatile and many factors may affect the market. These include, for example:

- o our success, or lack of success, in marketing our products and services;
- o competition;
- o governmental regulations; and
- o fluctuations in operating results.

The stock markets generally have experienced, and will likely continue to experience, extreme price and volume fluctuations which have affected the market price of the shares of many small capital companies. These fluctuations have often been unrelated to the operating results of such companies. Such broad market fluctuations, as well as general economic and political conditions, may decrease the market price of our common stock in any market that may develop.

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#### FORWARD-LOOKING STATEMENTS

This prospectus contains forward-looking statements that are based on our current expectations, assumptions, estimates and projections about us and our industry. When used in this prospectus, the words "expects," "anticipates," "estimates," "intends" and similar expressions are intended to identify forward looking statements. These statements include, but are not limited to, statements under the captions "Risk Factors," "Use of Proceeds," "Plan of Operations," "Description of Business" and elsewhere in this prospectus.

These forward-looking statements are subject to risks and uncertainties that could cause actual results to differ materially from those projected. The cautionary statements made in this prospectus should be read as being applicable to all related forward-looking statements wherever they appear in this prospectus.

## USE OF PROCEEDS

The following table sets forth our estimate of the allocation of net proceeds from this offering based on varying levels of funding that we deem to be key milestones to our operations. Actual expenditures may vary from these estimates. If we raise at least \$1,375,000 we will seek to satisfy our outstanding debt obligations. If we raise at least \$4,750,000, we intend to open four new showroom stores and one warehouse/hub facility in Florida. If we raise at least \$10,250,000, we intend to open ten new showroom stores and two warehouse/hub facilities in Florida. If we raise at least 15,750,000, we intend to open ten new showroom stores, two warehouse/hub facilities in Florida and eight new showroom stores and one to two warehouse/hub facilities in Georgia. In the event we raise the full \$20,000,000, in addition to the showroom stores and warehouse/hub facilities we plan to open if we raise at least \$15,750,000, we may open additional stores in Florida and/or Georgia, and stores in North Carolina and/or South Carolina. Pending such uses, we will invest the net proceeds in investment- grade, short-term, interest bearing securities. The following order of the use of proceeds reflects the order of priority of each purpose.

<TABLE>

<CAPTION>

	\$1,375,000	%	\$4,750,000	%	\$10,250,000	%	\$15,750,000	%	\$20,000,000	%
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
Commissions/ Finders' fees(1)	137,500	10	475,000	10	1,025,000	10	1,575,000	10	2,000,000	10
Offering expenses	225,000	16	225,000	4	225,000	2	225,000	2	225,000	1
Reduce debt (2)	1,000,000	73	1,000,000	21	1,000,000	10	1,000,000	6	1,000,000	5
Working capital(3)	12,500	1	990,000	21	2,000,000	20	3,200,000	20	4,193,750	21
Leasehold improvements, deposits			450,000	9	1,200,000	12	1,950,000	13	2,516,250	13
Furniture, fixtures, displays, samples			510,000	11	1,360,000	13	2,210,000	14	2,851,750	14
Inventory			600,000	13	1,840,000	18	2,990,000	19	3,858,250	19
Computer hardware/software			120,000	3	320,000	3	520,000	3	671,000	3
Machinery, equipment			90,000	2	240,000	2	390,000	3	503,250	3
Store Signs			145,000	3	520,000	5	845,000	5	1,090,375	5
Advertising prior to opening new stores			145,000	3	520,000	5	845,000	5	1,090,375	6
<b>Total</b>	<b>\$1,375,000</b>		<b>\$4,750,000</b>		<b>\$10,250,000</b>		<b>\$15,750,000</b>		<b>\$20,000,000</b>	

</TABLE>

- (1) At the present time, we intend to have our officers and directors offer and sell the shares included in this prospectus. Our officers and directors will not be paid any commission or finders' fee for shares they sell. We reserve the right, however, to retain licensed broker/dealers to assist us in the offer and sale of shares in this offering, if we deem such to be in our best interest. At this time we do not have any commitments, agreements or understandings with any broker/dealers, we have, however, designated maximum underwriting discounts, commissions and fees we are willing to pay to engage broker/dealers at 10% of the proceeds realized from the sale of shares sold by such broker/dealers. To the extent we do not incur commissions and finders' fees, funds set aside to pay such commissions and finders' fees will be applied to working capital.
- (2) The net proceeds of the offering designated to reduce debt will be applied to reduce current liabilities including accounts payable, accrued liabilities and long-term debt. The long-term debts to be reduced include the following:
- A secured note payable to a bank requiring monthly payments through April 2005, and bearing interest at a rate of 8.00%
  - A secured note payable to a bank requiring monthly payments through

- August 2006, and bearing interest at a rate of 5.84%;
- c) An unsecured note payable to a shareholder requiring monthly payments through October 2008, and bearing interest at a rate of 10.00%;
  - d) A secured note payable to a bank requiring monthly payments through August 2013, and bearing interest at 6.00% per year; and
  - e) An unsecured note payable to an individual that is due on demand and bears interest at a rate of 6.00% per year.
- (3) The net proceeds of the offering remaining in working capital will be invested in short-term, interest bearing accounts and investments.

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#### DETERMINATION OF OFFERING PRICE

As no underwriter has been retained to offer our securities, the offering price of our shares was not determined by negotiation with an underwriter as is customary in underwritten public offerings. Rather, we arbitrarily selected the offering price. There is no relationship between the offering price of the shares and our assets, earnings, book value, net worth or other economic or recognized criteria or future value of our shares.

#### DILUTION

As of the date of this offering, we had 38,428,700 common shares issued and outstanding and no preferred shares outstanding, and a net tangible book value of \$964,930 or \$0.03 per share. The proceeds from the sale of shares will vary depending on the total shares sold.

If all 10,000,000 shares offered herein are sold there would be a total of 48,428,700 common shares outstanding. If the maximum offering is sold, the net proceeds to us after deducting sales commissions/finders' fees and offering costs would be \$17,775,000. Adding the net proceeds to our current net tangible book value, our total net tangible book value would be \$18,739,930. Dividing our net worth by the number of common shares outstanding discloses a per share book value of approximately \$0.39 per share. Therefore, the shareholders who purchased pursuant to the offering will suffer an immediate dilution in the book value of their shares of approximately \$1.61 or approximately 81% and the present shareholders will receive an immediate increase in book value of approximately \$0.36 per share.

If 7,875,000 shares offered herein are sold there would be a total of 46,303,700 common shares outstanding. If 7,875,000 shares are sold, the net proceeds to us after deducting sales commissions/ finders' fees and offering costs would be \$13,950,000. Adding the net proceeds to our current net tangible book value, our total net tangible book value would be \$14,914,930. Dividing our net worth by the number of common shares outstanding discloses a per share book value of approximately \$0.32 per share. Therefore, the shareholders who purchased pursuant to the offering will suffer an immediate dilution in the book value of their shares of approximately \$1.68 or approximately 84% and the present shareholders will receive an immediate increase in book value of approximately \$0.29 per share.

If 5,125,000 shares offered herein are sold there would be a total of 43,553,700 common shares outstanding. If 5,125,000 shares are sold, the net proceeds to us after deducting sales commissions/ finders' fees and offering costs would be \$9,000,000. Adding the net proceeds to our current net tangible book value, our total net tangible book value would be \$9,964,930. Dividing our net worth by the number of common shares outstanding discloses a per share book value of approximately \$0.23 per share. Therefore, the shareholders who purchased pursuant to the offering will suffer an immediate dilution in the book value of their shares of approximately \$1.77 or approximately 88% and the present shareholders will receive an immediate increase in book value of approximately \$0.20 per share.

If 2,375,000 shares offered herein are sold there would be a total of 40,803,700 common shares outstanding. If 2,375,000 shares are sold, the net proceeds to us after deducting sales commissions/

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finders' fees and offering costs would be \$4,050,000. Adding the net proceeds to our current net tangible book value, our total net tangible book value would be \$5,014,930. Dividing our net worth by the number of common shares outstanding discloses a per share book value of approximately \$0.12 per share. Therefore, the shareholders who purchased pursuant to the offering will suffer an immediate dilution in the book value of their shares of approximately \$1.88 or approximately 94% and the present shareholders will receive an immediate increase in book value of approximately \$0.09 per share.

If 687,500 shares offered herein are sold there would be a total of 39,116,200 common shares outstanding. If 687,500 shares are sold, the net proceeds to us after deducting sales commissions/ finder's fees and offering costs would be \$1,012,500. Adding the net proceeds to our current net tangible book value, our total net tangible book value would be \$1,977,430. Dividing our net worth by the number of common shares outstanding discloses a per share book value of approximately \$0.05 per share. Therefore, the shareholders who purchased pursuant to the offering will suffer an immediate dilution in the book value of their shares of approximately \$1.95 or approximately 98% and the present shareholders will receive an immediate increase in book value of approximately \$0.02 per share.

The following table illustrates the dilution which will be experienced by investors in the offering:

<TABLE>

<CAPTION>

	If 10,000,000 shares sold	If 7,875,000 shares sold	If 5,125,000 shares sold	If 2,375,000 shares sold	If 687,500 shares sold
<S>	<C>	<C>	<C>	<C>	<C>
Offering price per share before deduction of offering expense		\$2.00	\$2.00	\$2.00	\$2.00
Net tangible book value per share before the offering	0.03	0.03	0.03	0.03	0.03
Net tangible book value per share after the offering	0.39	0.32	0.23	0.12	0.05
Dilution to new investors per share	1.61	1.68	1.77	1.88	1.95
Dilution to new investors as a percentage	81%	84%	88%	94%	98%

</TABLE>

#### SELLING SECURITY HOLDERS

None of our existing shareholders is selling securities pursuant to this registration statement.

#### PLAN OF DISTRIBUTION

Currently we plan to have our officers and directors sell the common shares on a self underwritten basis. They will receive no discounts or commissions. In the past, we have received unsolicited indications of interest in The Flooring Zone, Inc. from persons familiar with us. These indications have been nothing more than verbal communications and we have no commitments, oral or

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written, from any party to purchase any of our shares. Our officers and directors will deliver prospectuses to these individuals and to others who they believe might have interest in purchasing all or a part of this offering. At this time, we do not intend to retain an underwriter or licensed broker/dealers to assist us in the offer and sell of the shares. Similarly, we do not intend to offer the shares for sale via the internet. None of our officers or directors are registered broker-dealers and therefore will rely on the exemption provided in Rule 3a4-1 under the Securities Exchange Act of 1934 to sell the shares.

To buy shares you must complete and execute the subscription agreement and return it to us at 3219 Glynn Avenue Brunswick, Georgia 31520. Payment of the purchase price may be made by check or money order payable to the order of "The Flooring Zone, Inc." There is no minimum offering and no escrow account has been established, therefore, all funds will be made available to The Flooring Zone, Inc. upon receipt.

We have the right to accept or reject subscriptions in whole or in part, for any reason or for no reason. All monies from rejected subscriptions will be returned immediately to the subscriber, without interest or deductions. Subscriptions for securities will be accepted or rejected within 48 hours after we receive them. This offering will commence with the date of this prospectus and will end 270 days from that date, unless terminated earlier by us. There will be no extensions of time in which to continue this offering.

#### LEGAL PROCEEDINGS

To our knowledge, neither us, nor any of our officers or directors is a party to any material legal proceeding or litigation and we know of no material legal proceeding or contemplated or threatened litigation. There are no judgments against us or our officers or directors. None of our officers or directors has been convicted of a felony or misdemeanor relating to securities or performance in corporate office.

#### DIRECTORS, EXECUTIVE OFFICERS, PROMOTERS AND



## CONTROL PERSONS

The following table sets forth our directors, executive officers, promoters and control persons, their ages, and all offices and positions held. Directors are elected for a period of one year and thereafter serve until their successor is duly elected by the stockholders. Officers and other employees serve at the will of the Board of Directors.

Name	Age	Positions Held	Director Since
-----	---	-----	-----
Jimmy S. Lee	40	CEO/President and Director	May 2003
Michael J. Carroll	35	Secretary/Treasurer and Director	May 2003
Steven C. Nichols	37	Vice President	May 2003

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There is currently one vacancy on our board of directors that we expect to fill with an independent director. Our ability to locate an independent director may be unsuccessful because we do not have error and omission insurance for officers and directors. The above individuals will serve as officers and/or directors. A brief description of their positions, proposed duties and their background and business experience follows:

Jimmy S. Lee. Mr. Lee founded the Flooring Zone, Inc., in May 2003, and has served as the President, CEO and a Director of the Flooring Zone, Inc., since that time. Mr. Lee founded the Flooring Zone of Georgia, Inc., in June 2000. Since June of 2000, he has also served as the President, CEO and a Director of the Flooring Zone of Georgia, Inc. In his capacities with the Flooring Zone and the Flooring Zone of Georgia, Mr. Lee has been responsible for the day to day operations and overseen the activities of the sales departments of each entity. Prior to founding the Flooring Zone of Georgia, Mr. Lee served as the General Manager of Tommy Lee Carpets, Inc., where he managed office personnel, sales staff and installation subcontractors. Mr. Lee was employed by Tommy Lee Carpets from July 1996 to May 2000. Mr. Lee is not a director of any other reporting company.

Michael J. Carroll. Mr. Carroll has served as the Secretary, Treasurer and a Director of the Flooring Zone, Inc., since May 2003, and has held the same positions with The Flooring Zone of Georgia, Inc., since June 2000. In August 1997, Mr. Carroll founded Carroll Custom Homes, Inc., and since that time has served as its President. In that capacity, Mr. Carroll has been primarily responsible to oversee the development and construction of residential housing and to manage purchasing, payroll and accounts payable. Mr. Carroll graduated from Georgia College and State University with a Bachelors Degree in Business Administration in 1992. Mr. Carroll is not a director of any other reporting company.

Steven C. Nichols. Mr. Nichols has served as a Vice President of the Flooring Zone, Inc., since May 2003. Mr. Nichols has also served as the Vice President of the Flooring Zone of Georgia, Inc., since May 2002. As the Vice President Mr. Nichols duties include sales, collections, customer service and overseeing the operations of Company stores. From December 2000 to December 2001, Mr. Nichols also worked as an account representative for Cook's Wholesale Flooring in Atlanta, Georgia where he was responsible for introducing new and existing products to existing and prospective accounts. From January 1997 to December 2000, Mr. Nichols owned and operated Floors For Less Floor Coverings. As the owner, he was responsible to oversee all aspects of the business. Mr. Nichols earned a Bachelors of Science Degree in Economic from Valdosta State College in 1989. Mr. Nichols is not a director of any other reporting company.

There are no family relationships among any of our officers and directors.

## SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

The term "beneficial owner" refers to both the power of investment (the right to buy and sell) and rights of ownership (the right to receive distributions from the company and proceeds from sales of the shares). Inasmuch as these rights or shares may be held by more than one person, each person who

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has a beneficial ownership interest in shares is deemed the beneficial owners of the same shares because there is shared power of investment or shared rights of ownership.

<TABLE>  
<CAPTION>

Amount of

Name and Address	Title of Class	Beneficial Ownership	% of Class Before Offering	% of Class After Offering(1)
<S> Jimmy Lee 3219 Glynn Avenue Brunswick, Georgia 31520	<C> Common	<C> 19,000,000	<C> 49%	<C> 39%
Michael Carroll 3219 Glynn Avenue Brunswick, Georgia 31520	Common	19,000,000	49%	39%
Steven Nichols 3219 Glynn Avenue Brunswick, Georgia 31520	Common	1,000	*	*
-----				
All officers and directors as a group (3 persons)		38,001,000	99%	78%
-----				
TOTAL			99%	78%

</TABLE>

\* Less than 1%

(1) Assumes that all 10,000,000 shares are sold in this offering.

#### DESCRIPTION OF THE SECURITIES

Description of Common Stock. Our authorized capital stock consists of 100,000,000 shares of common stock with a \$.001 par value and 10,000,000 shares of preferred stock with a \$.001 par value. As of September 1, 2004, we had approximately 38,428,700 common shares outstanding. We have no preferred shares outstanding. Holders of our common shares are entitled to receive dividends when declared by the Board of Directors out of funds legally available therefore. Any such dividends may be paid in cash, property or shares. We have not paid any dividends since our inception. All dividends will be subject to the discretion of the Board of Directors, and will depend upon, among other things, our operating and financial conditions, capital requirements and general business conditions. Therefore, there can be no assurance that any dividends on the shares will be paid in the future.

All common shares have equal voting rights and, when validly issued and outstanding, will have one vote per share on all matters to be voted upon by the shareholders. Cumulative voting in the

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election of directors is not allowed, and a quorum for shareholder meetings shall result from a majority of the issued and outstanding shares present in person or by proxy. Accordingly, the holders of a majority of the common shares present, in person or by proxy at any legally convened shareholders' meeting at which the Board of Directors is to be elected, will be able to elect all directors and the minority shareholders will not be able to elect a representative to the Board of Directors.

Common shares have no preemptive or conversion rights, no redemption or sinking fund provisions, and are not liable for further call or assessment. Each common share is entitled to share pro rata any assets available for distribution to holders of its equity securities upon our liquidation.

Description of Preferred Stock. We currently have authorized 10,000,000 shares of preferred stock, \$.001 par value, with no shares issued or outstanding. No rights, privileges and preferences have been designated for our preferred stock. Our Board of Directors is authorized to divide our preferred shares into classes or series and to designate the rights, privileges and preferences of any such class or series of preferred stock by resolution prior to its issuance.

Description of Stock Options. We have adopted The Flooring Zone, Inc., 2003 Stock Incentive Plan (the "Plan") allowing us to offer our key employees, officers, directors, consultants and sales representatives, an opportunity to acquire a proprietary interest in our corporation. The various types of incentive awards which may be provided under the Stock Option Plan will enable us to respond to changes in compensation practices, tax laws, accounting regulations and the size and diversity of its business. The total number of common shares reserved and available for distribution under the Plan is 500,000 shares. These shares will underlie the options granted by us pursuant to the Plan. In June 2003, we granted stock options to purchase up to 45,000 shares of our common stock to our employees and consultants. All such options were exercised prior to the year ended December 31, 2003. At the current time, there

are no stock options outstanding. No option shares are being registered under this registration statement

Option holders are not protected against dilution if we should issue additional shares in the future. Neither the options, nor the shares underlying the option have preemptive rights.

In the case of any reclassification, change, consolidation, merger, sale or conveyance of our shares to another corporation, we will make adequate provision whereby the registered holder of any outstanding option will have the right thereafter to receive an exercise of the options immediately prior to the reclassification, change, consolidation, merger, sale or conveyance of our shares.

Other provisions of the options are set forth below. This information is subject to the provisions of the Plan and the Stock Option Certificates representing the options. The following information is a summary of The Flooring Zone, Inc., 2003 Stock Incentive Plan.

1. The shares underlying the options offered pursuant to the Plan are subject to the same rights and restrictions as other shares.

2. Once an option is granted, we may not be call the option.

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3. The options may not be sold prior to six months from the date of the grant of the related award without our prior approval.

4. Unless exercised within the time provided for exercise, the options will automatically expire.

5. The exercise price per share purchasable under a stock option shall be determined by the Committee at the time of grant and may not be less than 100% of Fair Market Value of the shares, provided however, that the exercise price of an Incentive Stock Option granted to a 10% Stockholder shall not be less than 110% of the Fair Market Value of the shares.

6. There is no minimum number of shares that must be purchased upon exercise of the option.

7. The option holders, in certain instances, are protected against dilution of their interest represented by the underlying shares upon the occurrence of stock dividends, stock splits, reclassifications and mergers.

Transfer Agent. OTC Stock Transfer, Inc., located at 231 East 2100 South, Salt Lake City, Utah 84165, Telephone (801) 485-5555, has agreed to be our transfer agent upon completion of this offering.

#### INTEREST OF NAMED EXPERTS AND COUNSEL

None of the experts named herein was or is a promoter, underwriter, voting trustee, director, officer or employee of The Flooring Zone, Inc. Further, none of the experts was hired on a contingent basis and none of the experts named herein will receive a direct or indirect interest in The Flooring Zone, Inc.

Legal Matters. Certain legal matters will be passed upon for us by Poulton & Yordan, of Salt Lake City, Utah.

Accounting Matters. The financial statements included in this prospectus and elsewhere in the registration statement have been audited by Mantyla McReynolds LLC, located in Salt Lake City, Utah, as indicated in their report with respect thereto, and are included herein in reliance upon the authority of said firm as experts in accounting and auditing in giving said reports.

#### DISCLOSURE OF COMMISSION POSITION ON INDEMNIFICATION FOR SECURITIES ACT LIABILITIES

Insofar as indemnification for liabilities arising under the Securities Act of 1933 (the "act") may be permitted to directors, officers and controlling persons for the small business issuer pursuant to the foregoing provisions, or otherwise, the small business issuer has been advised that in the opinion of the Securities and Exchange Commission such indemnification is against public policy as expressed in the

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Act and is, therefore, unenforceable.

In the event that any claim for indemnification against such liabilities (other than the payment by the small business issuer of expenses incurred or

paid by a director, officer or controlling person of the small business issuer in the defense of any action, suit or proceeding) is asserted by such director, officer or controlling person in connection with the securities being registered, the small business issuer will, unless in the opinion of its counsel the matter has been settled by controlling precedent, submit to a court of appropriate jurisdiction the question whether such indemnification by it is against public policy as expressed in the Securities Act and will be governed by the final adjudication of such issue.

#### ORGANIZATION WITHIN LAST FIVE YEARS

We filed our Articles of Incorporation on May 5, 2003. On May 13, 2003, pursuant to a Share Exchange Agreement, we acquired all of the outstanding common stock of The Flooring Zone of Georgia, Inc., in exchange for 38,125,000 shares of our common stock. The Flooring Zone of Georgia, Inc., was founded by our president in 2000, and had been operating in the retail floorcovering industry since its inception. We currently operate a network of four retail flooring stores located in the southeast United States, two of which are in southern Georgia and two in northern Florida. Our executive offices are located in our Georgia store located at 3219 Glynn Avenue, Brunswick, Georgia 31520. Our telephone number at that location is (912) 264-0505.

#### DESCRIPTION OF BUSINESS

##### Retail Floorcovering Industry

The North American retail floorcovering industry is highly fragmented with approximately 15,000 individual floorcovering retail dealers operating 25,000 locations in North America according to FLOOR COVERING WEEKLY, a leading floorcovering industry publication. Our management believes that no single retailer accounts for more than a 5% market share of total annual industry revenues. The industry is characterized by a large number of small local and regional companies and a small number of national chains, such as The Home Depot, and organizations such as Carpet One and Carpet Max, which principally operate as buying groups offering their members economies of scale in the purchasing of floorcovering products.

##### History of the Flooring Zone

Early Development. Mr. Lee founded our subsidiary, The Flooring Zone of Georgia, Inc. in June of 2000. Based upon his experience working with retail carpet stores owned by his grandfather and father and his experience with a national floorcovering retail company, Mr. Lee developed a strategy for a full service floorcovering retail operation. Through our subsidiary we initiated our present strategy of providing low-cost product sourcing and advanced specialty retailing capabilities. We have focused on establishing relationships with the leading carpet suppliers to negotiate favorable purchasing terms. In addition, we seek to hire experienced retailing management personnel and developed product mix, distribution, merchandising, advertising, and promotion, sales training and store

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operations strategies and resources designed to increase store sales volume and profitability.

Most small independent floorcovering retailers face distinct competitive disadvantages and challenges, including limited purchasing power for products and services, lack of consumer product knowledge, and ineffective asset management, merchandising, selling and store-management techniques. We believe our four store network is larger than most other independent floorcovering retailers. We also believe that we are significantly smaller than the larger floorcovering retailers who may enjoy better economies of scale but often lose the personal touch delivered by smaller operations.

Our operating strategies are designed to capitalize on competitive advantages of the smaller retailers while developing and maintaining industry-leading buying power and the implementing professional retailing operations.

##### Business Strategy

The principal elements of our business strategy are as follows:

Full-service Retail Formats. A central aspect of our business strategy is the development of a retail format that targets a specific segment of the floorcovering market. Our floorcovering stores offer customers a full range of floorcovering products directly and floorcovering services, including ordering, measuring, delivery and installation through third parties. Our stores typically offer discount floorcovering products held in inventory at the store. We have a small installation staff and can provide installation services. We also maintain

strong relationships with several floorcovering installers who can provide installation services to our customers. By primarily outsourcing installation, management believes that we can effectively target both the customer primarily concerned with product selection, quality and customer service, and the customer primarily concerned with price.

**Purchasing.** We believe we are able to obtain competitive pricing, delivery terms and merchandising programs by leveraging the purchasing power of our retail network and by maintaining close relationships with floorcovering manufacturers.

**Professional Retail Management Capabilities.** We have invested substantial financial and management resources into the development of information systems, services and infrastructure to support our retail floorcovering network. We are committed to making shopping for floorcovering products a pleasant experience through the employment of well-trained, knowledgeable and courteous sales associates. We plan to continue to invest in information systems and use current technology to improve the operating efficiency of our business.

**Centralized Distribution and Limited Inventory Levels.** We attempt to minimize our store-level inventories by utilizing our primary distribution center in Brunswick, Georgia. As we grow, we plan to use regional warehouse facilities on a limited basis to receive shipments and to stock high volume items. As a result, our retail stores will maintain limited amounts of inventory, consisting primarily of product samples and enough inventory to support the cash-and-carry customer. In addition, a distribution center or hub allows us to purchase and inventory "specials," or seasonal overruns.

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**Multiple Product Categories.** We offer a full range of floorcovering products, including broadloom carpets, area rugs, hardwood floorings, ceramic tiles and vinyl floorings, available in both private and branded labels. Multiple product categories allow us to respond to changes in consumer demand. Our focus on multiple floorcovering products results in decreased carpet sales as a percentage of total retail sales.

**Growth Strategy.** Our growth strategy is to develop the leading retail floorcovering network in North America. We intend to continue our growth strategy initially throughout the southeastern United States in the areas surrounding our current network. The principal elements of our growth strategy include (i) opening additional company-owned stores, (ii) broadening our products and services, and (iii) making selective acquisitions.

**Opening of New Stores.** We intend to initially expand within our existing markets or into contiguous new markets and attempt to continue to cluster our stores within a market in order to achieve management and operating efficiencies and to enhance our name recognition. We believe, however, that we can also establish company-owned stores in new markets due to our effective strategies in generating customer traffic.

We intend to open new stores in Class A strip shopping retail space and we have developed several standardized store formats ranging from 6,500 to 10,000 square feet to accelerate store openings and minimize store opening costs. The interior store designs include pre-determined product mixes, fixtures and equipment, signage, and point-of-sale advertising and promotional programs. Once a new store site is identified, we will stage the products, merchandising systems and personnel for the new store in our distribution center and headquarters. We believe that we can open a Flooring Zone store within 45 to 90 days of executing a lease, with expected total capital expenditures, initial inventory investments and pre-opening expenses ranging from \$75,000 to \$150,000 per store. We do not currently intend to offer our stores as franchises.

**Broadening of Products and Services.** We are developing additional services relating to product installation, maintenance and in-store credit, among others. These additional services, if fully developed, will be utilized by retail operations to increase sales and profitability.

**Making Selective Acquisitions.** We intend to search for existing floorcovering retail stores that would strengthen our distribution capabilities, that can be reasonably converted into Flooring Zone stores, and that are able to be acquired at or below what we believe our costs would be to open a new store and generate customer traffic.

#### Company Operations

We provide our retail floorcovering stores with products, services and trained personnel that we believe generally are unavailable to many independent floorcovering retailers and would be cost prohibitive for most independent dealers to develop. Our resources include merchandising, purchasing and distribution, advertising and promotion, management and sales training and

management information systems, as described below.

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**Purchasing and Distribution.** Due to the floorcovering purchasing volume of our retail network and our relationships with floorcovering suppliers, management believes that we obtain high-quality products and services at competitive costs. A substantial portion of the floorcovering products purchased by or through our Company are shipped directly by the supplier to our individual retail stores or to our distribution hub. Our stores generally maintain minimal inventory, which predominantly consists of product samples. Our distribution center or hub allows us to make opportunistic purchases from carpet mills at substantially discounted prices. We are also able to offer special purchases to customers, including purchases of mill drops (discontinued lines) and excess mill inventory which are occasionally made available to us at discounted prices. We also make available on an ongoing basis remnant packages and short roll packages which can be as small as 10 and as large as 1,000 remnants at a time. Our ability to purchase and inventory private-label products and specials creates the opportunity for increased revenues and margins and lower pricing to the customer. We have relationships with many vendors within the industry. While we have preferred vendors from whom we purchase a majority of our products, because of our numerous relationships within the industry, we do not believe that we are dependent upon any one vendor for product purchases. Nor do we believe that the loss of any single vendor would have a long-term material adverse effect on our operating results or financial position.

**Product Mix and Merchandising.** We offer a full range of floorcovering products from key suppliers, including Shaw, Mohawk Industries, Beaulieu of America, DuPont and AlliedSignal for proprietary carpet fiber, Armstrong World Industries and Congoleum for vinyl flooring, Bruce Hardwood Floors (a division of Triangle Pacific) for hardwood flooring and Dal-Tile for ceramic tile. Each of these suppliers is a leader in its respective floorcovering category. Our suppliers also include niche carpet, vinyl, hardwood and ceramic tile producers, as well as leading manufacturers and importers of room-size area rugs.

Our merchandising strategies address effective store layout, fixtures, signage, product mix, and cross-selling techniques designed to increase sales closing performance, average transaction size, sales per square foot of retail space, and gross margins. Store interiors provide easy-to-locate presentation of floorcovering samples, organized by product line, in an attractive and brightly lit interior. In addition, we provide conference rooms where contractors and interior designers can meet with their clients to discuss flooring options.

**Advertising and Promotion.** We believe advertising and promotion are important to our success. Therefore, we budget a percentage of revenues per market for multimedia advertising campaigns. These campaigns will include radio, bill board, print, direct mail and television promotions. To promote our products we also offer our low price guarantee - If you find a local competitor selling your new first quality carpet for less money we will double the difference. We also hold one day "Private Sales" events at each of our retail stores twice a year. Our Private Sales events are conducted by direct mail invitation with coordinated manufacturer's participation.

**Management and Sales Training.** Our training program focuses on developing professional sales and leadership skills and team building concepts. Our training methodology incorporates a turnkey training and diagnostics system that provides our retail stores with competent and skilled professional personnel.

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In addition, our management has ongoing training to keep our employees informed about the latest floorcovering information such as new technology, new products, merchandising, available specials and design trends.

**Management Information Systems.** Our stores utilize a point-of-sale software system for tracking consumer demographics and purchasing patterns and other data to integrate all store operations into a central information system we spent the last three years developing in-house.

**Credit.** Through a national bank we offer consumer credit packages to our retail network.

#### Store Operations

**Retail Operations.** We have and intend to continue to open and operate floorcovering stores in markets that we believe have the potential for above-average growth in floorcovering sales. Our stores generate revenues through sales of floorcovering products to consumers and other customers. Each store carries the full product mix available to our Company including several leading brand names. New stores average 6,500 -10,000 square feet, are typically located in Class A strip shopping retail space in suburban locations, and are

staffed with two to six personnel. These stores cater primarily to consumers seeking a variety of high-quality products and customer service. Consumers make purchase selections from floor samples, and the order is usually delivered from our local warehouse or hub, or direct from the manufacturer. We maintain some internal installation staff and have established relationships with several local contractors and usually subcontract installation. Our stores are supported by the full range of services provided by manufacturers, including merchandising and sales promotion programs, high quality advertising, our own integrated information systems, and professionally trained management and sales personnel. Our customers include homeowners, designers, homebuilders and commercial contractors. We are not dependent on one or a few major customers. Our stores compete with other independent retailers, industry franchisees and a small number of national chains, including The Home Depot.

We believe that the Flooring Zone concept utilized in our stores is visually appealing and provides an enjoyable shopping experience for our customers. Our stores standardized layout is professionally designed to include eye-catching signage, bright lighting, a conferencing area and departmentalized product displays. Our stores use floor samples to display the full range of our available products, with separate areas dedicated to carpet, area rugs, hardwood flooring, vinyl flooring and ceramic tiles.

#### Competition

Through our retail stores we compete with other floorcovering retailers in their respective local market areas. According to FLOOR COVERING WEEKLY, the North American market consists of approximately 15,000 individual floorcovering retailers, which represent 25,000 locations. Competition in the retail floorcovering market is intense due to the significant number of retailers in operation. In addition, large retailers have entered the market and provide significant competition, including Home Depot, Inc.

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#### Trademarks, Service Marks, Trade Names and Commercial Symbols

We have registered marks with the U.S. Trademark Office including: "The Flooring Zone" and "Save A Comma." At this time, we know of no infringing uses which could materially affect the use of our service marks, logos or slogans in any state in which stores are or are proposed to be located. We are not the owner or licensee of any patents or copyrights.

#### Employees

As of the date of this prospectus we employ approximately 12 persons on a full-time basis, including approximately 6 persons at our retail operations and 6 persons at our corporate offices. No employee is a party to any collective bargaining agreement.

### MANAGEMENT'S DISCUSSION AND ANALYSIS OF RESULTS OF OPERATIONS AND FINANCIAL CONDITION

This discussion summarizes the significant factors affecting our consolidated operating results, financial condition, liquidity and capital resources during our fiscal years ended December 31, 2002 and 2003, and for the three and six month periods ended June 30, 2004. This discussion should be read in conjunction with the financial statements and financial statement footnotes included in this registration statement.

#### Forward-Looking Statements

Certain statements of our expectations contained herein, including, but not limited to statements regarding sales growth, new stores, increases in comparable store sales, commodity price inflation and deflation, and capital expenditures constitute "forward-looking statements" as defined in the Private Securities Litigation Reform Act of 1995. Such statements are based on currently available operating, financial and competitive information and are subject to various risks and uncertainties that could cause actual results to differ materially from our historical experience and our present expectations. These risks and uncertainties include but are not limited to, fluctuations in and the overall condition of the U.S. economy, stability of costs and availability of sourcing channels, conditions affecting new store development, our ability to implement new technologies and processes, our ability to attract, train, and retain highly-qualified associates, unanticipated weather conditions and the impact of competition and regulatory and litigation matters. Undue reliance should not be placed on such forward-looking statements, as such statements speak only as of the date on which they are made.

#### Results of Operations

Despite our expectation that we would realize an operating profit in

fiscal 2003 as a result of having all three of our Company-owned store locations open for all of fiscal 2003, compared to two

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stores for all of fiscal 2002 and a third store for part of fiscal 2002, we realized a slightly increased net loss from operations in fiscal 2003. Based on our results of operations for the three and six months ended June 30, 2004, as compared to the comparable periods of 2003, we believe we will enjoy increased revenues and realize an operating profit in 2004.

#### Revenues

In fiscal 2002, we realized our highest yearly revenue. We had experienced significant revenue growth each fiscal year until fiscal 2003. During fiscal 2003, sales fell \$32,694, to \$3,396,107 as compared to fiscal 2002. A decrease of about 1%. Licensing fees earned from the licensing of our name during fiscal 2003 was \$978 compared to \$20,413 during fiscal 2002. This resulted in a 1.5% reduction in net revenues in fiscal 2003 compared to fiscal 2002. We believe the reduction in revenues we experienced in fiscal 2003 as compared to fiscal 2002, was the result of various factors that contributed to a reduction in consumer confidence in the region in which we operate.

In the three and six month periods ended June 30, 2004, we have realized increases in net revenue as compared to the same periods of 2003. In the three months ended June 30, 2004, we realized a 15% increase in net revenue as compared to the three months ended June 20, 2003. For the six months ended June 30, 2004, we realized net revenue of \$2,015,982 compared to \$1,757,546, also a 15% increase, over the same period ended June 30, 2003

We anticipate that our planned expansion into more and larger markets will increase the revenue we realize from operations. We believe the revenues we can earn from one store in the large markets we are targeting will be equivalent to the revenue we earn in the three stores we currently have.

#### Gross Profits

Cost of sales includes all direct costs of floor coverings, materials used in installation and installation labor. In fiscal 2003, our cost of sales margins were essentially unchanged as compared to fiscal 2002 and we realized an \$8,167 increase in gross profit in fiscal 2003.

During the three and six months ended June 30, 2004, our cost of sales margins have improved approximately 5% compared to the same the and six month periods of 2003, resulting in increases in gross profits in the three and six months ended June 30, 2004, of \$68,400 and \$234,578, respectively as compared to the corresponding 2003 periods.

We have and will continue to seek to build alliances with major vendors in the floor covering industry. We believe these relationships and our strategic purchasing methods have contributed to improving margins. We also expect our cost of sales margins to improve as we increase the utilization of in-house installation labor.

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#### General and Administrative Expenses

General and administrative expenses increased \$334,665, or 30% to \$1.43 million in fiscal 2003, and as a percentage of sales revenue increased from 32% in fiscal 2002 to 42% in fiscal 2003. These increases are due to expenses we have incurred in hiring and training staff, at various levels, to expand into larger markets in southeast Georgia and northern Florida; purchase and implementation of our computer system with sales and inventory systems capable of operating a large floor covering company, and increases in accounting and legal expenses as a result of this offering. Because of delays in plans to expand to new locations, our general and administrative expenses in 2003 were not offset by increases in sales and revenue generated by the opening of additional stores. In fiscal 2003 and 2002, general and administrative costs consisted of:

	2003	2002
	-----	-----
Salaries & benefits costs	\$ 661,795	\$ 513,209
Advertising & display costs	139,516	158,173
Occupancy costs & utilities	309,926	213,879
Legal & accounting costs	67,006	16,773
Interest expense	45,662	31,799
Other	210,130	165,537
	-----	-----
	\$ 1,434,035	\$ 1,099,370



We have experienced increases in salaries in each of the past two fiscal years. With the completion of our management information system, during the first quarter of 2004, we reduced our staff. We do not anticipate significant increases in staffing needs until we have raised sufficient capital to expand our operations.

In fiscal 2003, we reduced our advertising & display costs because we believe we are well known within our current markets. We anticipate continued reductions in advertising costs until we expand to new markets.

Occupancy costs & utilities in fiscal 2003 increased primarily as a result of our expansion from two stores to three. We expect these costs to remain constant until we expand our operations.

As discussed above, the significant increase in legal and accounting costs in 2003, is the result of our efforts to undertake this offering.

During the three months ended June 30, 2004, general and administrative expenses increased \$40,841, to \$307,599, or 15%, compared to the three months ended June 30, 2003. For the six month period ended June 30, 2004, general and administrative expenses increased to \$698,738, from \$643,200 for the six months ended June 30, 2003, a 9% increase from 2003 to 2004.

#### Net Loss

Our net loss in fiscal 2003 increased \$340,361, to \$467,460, compared to fiscal 2002. During the three months ended June 30, 2004, we realized a net loss

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of \$9,253, a decrease in net loss of \$20,591 compared to the three months ended June 30, 2003. During the six months ended June 30, 2004, we have realized net income of \$59,189 compared to a net loss of \$107,876 for the six months ended June 30, 2003.

#### Liquidity and Capital Resources

Our capital resources have consisted of revenues from operations, funds raised through the sale of our common stock and debt. We anticipate our capital resources in the upcoming twelve months will likewise consist primarily of revenues from operations, funds raised in financing activities and debt.

During fiscal 2002 and 2003 and the six months ended June 30, 2003 and 2004, cash was primarily used to fund operations. See below for additional discussion and analysis of cash flow.

<TABLE>

<CAPTION>

	Fiscal 2003	Fiscal 2002	6/30/2004	6/30/2003
<S>	<C>	<C>	<C>	<C>
Net cash used in operating activities	(\$327,651)	(\$75,032)	(\$227,031)	(\$121,717)
Net cash used in investing activities	(39,406)	(160,990)	(3,265)	(30,892)
Net cash provided by financing activities	374,397	283,696	249,415	160,880
<b>NET INCREASE IN CASH</b>	<b>\$7,340</b>	<b>\$47,674</b>	<b>\$19,119</b>	<b>\$8,271</b>

</TABLE>

Net cash used in operating activities increased \$252,619 in fiscal 2003 compared to fiscal 2002. This increase was primarily the result of the increase in net loss and a decrease in accounts receivable in fiscal 2003. Net cash used in operating activities increased \$105,314 for the six months ended June 30, 2004 compared to the same six month period 2003. This increase in cash used in operating activities during the six month period ended June 30, 2004, was largely the result of an increase in inventory and a decrease in customer deposits.

Net cash used in investing activities decreased in fiscal 2003 by \$121,584 compared to fiscal 2002. This decrease was the result of fewer purchases of property and equipment during fiscal 2003. Cash used in investing activities decreased \$27,627 in the six months ended June 30, 2004, compared to the same period 2003. This decrease was also the result of fewer purchases of property and equipment in the 2004 period.

Net cash provided from financing activities increased \$90,701 in fiscal 2003 compared to fiscal 2002. In fiscal 2003, the funds we raised through financing activities were primarily obtained from a line of credit provided by a related party, and the sale of our securities. In 2002, the funds we obtained

through financing activities were the result of borrowing funds. During the six months ended June 30,

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2004, our financing activities included funds obtained through our credit line with a related party, long-term borrowing and the sale of our securities. During the six months ended June 30, 2003, we obtained funds through the sale of our securities. Net cash provided by financing activities increased by \$88,535 during the six months ended June 30, 2004, when compared to June 30, 2003.

At December 31, 2003 and June 30, 2004, we had cash on hand of \$55,014 and \$74,133, respectively.

#### Summary of Material Contractual Commitments

The following table lists our significant commitments as of December 31, 2003.

<TABLE>  
<CAPTION>

Contractual Commitments	Payments Due by Fiscal Year					
	Total	2004	2005	2006	2007	Thereafter
<S>	<C>	<C>	<C>	<C>	<C>	<C>
Line of Credit-Related Party(1)	\$ 124,000	\$ 124,000	\$ --	\$ --	\$ --	\$ --
Note Payable-Related Party(2)	209,296	35,450	39,162	43,263	47,793	43,628
Long Term Debt2	276,497	38,881	29,915	24,757	23,041	159,903
Operating Leases	872,186	186,790	189,310	194,578	149,338	152,170
<b>TOTAL</b>	<b>\$ 1,481,979</b>	<b>\$ 385,121</b>	<b>\$ 258,387</b>	<b>\$ 262,598</b>	<b>\$ 220,172</b>	<b>\$ 355,701</b>

</TABLE>

(1) On August 2, 2004, we paid the line of credit in full.

(2) On August 2, 2004, we consolidated the note payable to the related party and our long term debt by obtaining a loan from a bank. The new loan is in the amount of \$550,000, bears interest at a rate of 6.6%, requires monthly installment payments of \$6,270 and matures in August 2014.

#### Off-Balance Sheet Financing Arrangements

As of December 31, 2003, and June 30, 2004, we had no off-balance sheet financing arrangements.

#### Critical Accounting Policies

##### Revenue Recognition

We recognize revenues according to Staff Accounting Bulletin 101, Revenue Recognition in Financial Statements. Accordingly, revenue is recognized when an order has been received, the price is fixed and determinable, the order is shipped and installed, collection is reasonably assured and we have no significant obligations remaining. Licensing fees are royalties paid to us for licensing the use of the name The Flooring Zone. The royalties range from 1-2% of the licensee's commercial sales volume.

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##### Merchandise Inventory

We record inventory at the lower of cost or market, cost being determined on a first-in, first-out method. We do not believe our merchandise inventories are subject to significant risk of obsolescence in the near-term, and we have the ability to adjust purchasing practices based on anticipated sales trends and general economic conditions.

##### Vendor Funds

We receive funds from vendors in the normal course of business for purchase-volume-related rebates. Our accounting treatment for these vendor-provided funds is consistent with Emerging Issues Task Force (EITF) 02-16 "Accounting by a Customer (Including a Reseller) for Certain Consideration Received From a Vendor." Under EITF 02-16, purchase volume rebates should be treated as a reduction of inventory cost, unless they represent a reimbursement of specific, incremental and identifiable costs incurred by the customer to sell the vendor's product. The purchase volume rebates that we receive do not meet the specific, incremental and identifiable criteria in EITF 02-16. Therefore, they are treated as a reduction in the cost of inventory and we recognize these funds as a reduction of cost of sales when the inventory is sold.

## Recently Issued Accounting Pronouncements

In January 2003, the Financial Accounting Standards Board ("FASB") issued Interpretation (FIN) No. 46, Consolidation of Variable Interest Entities (VIEs), in an effort to expand upon and strengthen existing accounting guidance that addresses when a company should include in its financial statements the assets, liabilities and activities of another entity. In general, a VIE is a corporation, partnership, trust, or any other legal structure used for business purposes that either (a) does not have equity investors with voting rights or (b) has equity investors that do not provide sufficient financial resources for the entity to support its activities. FIN 46 requires a VIE to be consolidated by a company if that company is subject to a majority of the risk of loss from the VIE's activities, is entitled to receive a majority of the VIE's residual returns, or both. FIN 46 also requires disclosures about VIEs that the Company is not required to consolidate, but in which it has a significant variable interest. The consolidation requirements of FIN 46 apply immediately to VIEs created after January 31, 2003, and to other entities no later than the three months ended September 30, 2003. Certain disclosure requirements are required in all financial statements issued after January 31, 2003, regardless of when the VIE was established. The Company has not identified any VIEs that must be consolidated.

On April 30, 2003 -- The FASB issued Statement No. 149, Amendment of Statement 133 on Derivative Instruments and Hedging Activities. The Statement amends and clarifies accounting for derivative instruments, including certain derivative instruments embedded in other contracts, and for hedging activities under Statement 133. The amendments set forth in SFAS No. 149 require that contracts with comparable characteristics be accounted for similarly. SFAS No. 149 is generally effective for contracts entered into or modified after June 30, 2003 (with a few exceptions) and for hedging relationships designated after June 30, 2003. The guidance is to be applied prospectively only. The adoption of this pronouncement had no effect on the Consolidated Financial Statements of the

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Company.

On May 15, 2003 -- The FASB issued Statement No. 150, Accounting for Certain Financial Instruments with Characteristics of both Liabilities and Equity. The Statement improves the accounting for certain financial instruments that, under previous guidance, issuers could account for as equity. It also establishes standards for how an issuer classifies and measures on its balance sheet certain financial instruments with characteristics of both liabilities and equity. It requires that an issuer classify a financial instrument that is within its scope as a liability (or an asset in some circumstances) because that financial instrument embodies an obligation of the issuer. SFAS No. 150 was effective for financial instruments entered into or modified after May 31, 2003, and was otherwise effective for us as of July 1, 2003. The adoption of the applicable provisions of this statement as of the indicated dates has had no effect on the Company's financial statements.

## DESCRIPTION OF PROPERTY

Our principal executive offices are located in leased office space located at 3219 Glynn Avenue, Brunswick, Georgia 31520. We also lease warehouse space and space for our four retail stores in Georgia and Florida. We believe these spaces will be adequate for our needs through the terms of their existing leases, the first of which expires in 2007 and the last of which expires in 2014. Based on leases currently have in place, our minimum required annual lease payments for these locations through December 31, 2004, is \$186,790 and will be \$189,310 for the year ending December 31, 2005.

## CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

During the past two years, we have issued shares to the following officers, directors, promoters and beneficial owners of more than 5% of our outstanding securities.

Name	Number of Shares	Consideration Given	Relationship to Issuer
Jimmy Lee	19,000,000	Services	CEO/President/Director *
Michael Carroll	19,000,000	Services	Secretary/Treasurer/Director*
Steven Nichols	1,000	Cash	Vice President

\* Holder of 5% or more of our outstanding securities.

On May 13, 2003, Jimmy Lee, our president and director and Michael Carroll, our secretary/treasurer and director each gave 62,500 common shares of their personal shareholdings to satisfy debt of the Company in the amount of \$61,609. Mr. Lee and Mr. Carroll received no consideration from the Company in

connection with this transaction.

In October 2003, we entered into an agreement with Mr. Carroll, whereby he agreed to extend a line of credit to the Company. The interest rate on the line of credit is 6%. The outstanding balance on the line of credit as of June 30, 2004, was \$198,144. This line of credit was paid in full by the

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Company on August 2, 2004.

In August 2000, Mr. Carroll loaned Flooring Zone of Georgia, Inc., \$275,000 pursuant to an unsecured note payable. This note bears interest at a rate of 10% per year. Under the terms of the note, we are required to make monthly installment payments of \$4,565.33 through October 2008. As of June 30, 2004, the outstanding balance on this note was \$192,012.

We believe that each of the above described transactions was negotiated on terms at least as favorable to us as those available to us on an arms-length. As with the above transactions, all future material transactions entered into with related parties shall be on terms no less favorable to us than we can obtain from an unaffiliated third party on an arms-length basis and will be approved by a majority of our disinterested directors.

#### MARKET FOR COMMON EQUITY AND RELATED STOCKHOLDER MATTERS

At present, our securities are not traded publicly. There is no assurance that a trading market will develop, or, if developed, that it will be sustained. A purchaser of shares may, therefore, find it difficult to resell the securities offered herein should he or she desire to do so when eligible for public resales. Furthermore, the shares are not marginable and it is unlikely that a lending institution would accept our common stock as collateral for a loan.

Pursuant to this registration statement, we propose to publicly offer 10,000,000 common shares. To date, none of our outstanding shares of common stock are subject to outstanding options or warrants to purchase our common stock. We currently have approximately 60 shareholders.

None of our currently issued and outstanding shares are eligible for public resale under Rule 144 because our stock is not listed on any exchange and no broker-dealer is making a market for our securities. Therefore, shareholders seeking to make public resales of our stock would currently be precluded by both the trading volume limitations and the brokers' transaction requirements of Rule 144.

#### EXECUTIVE COMPENSATION

The following table sets forth certain summary information concerning the compensation paid or accrued since the Company's inception on May 5, 2003 through December 31, 2003, (the end of the Registrant's last completed fiscal year).

<TABLE>  
<CAPTION>

Summary Compensation Table

Name and Principal Position	Year	Long Term Compensation							All Other Compensation
		Annual Compensation		Awards		Payouts			
		Salary	Bonus	Restricted Other Annual Compensation	LTIP Stock Awards	Options/SARs #	Payout		
<S> Jimmy Lee, CEO, President and Director	<C> 2003	<C> \$62,400	<C> \$10,000	<C> \$0-	<C> \$0-	<C> \$0-	<C> \$0-	<C> \$0-	<C> \$0-
Steven Nichols Vice President	2003	59,800	2,500	-0-	-0-	-0-	-0-	-0-	-0-

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#### Employment Agreements with Executive Officers

We have no formal employment agreements with any of our executive officers.

#### Compensation of Directors

We have no arrangements pursuant to which your directors are compensated

for any services provided as a director, or for committee participation or special assignments.

#### Termination of Employment and Change of Control Arrangement

There are no compensatory plans or arrangements, including payments to be received from us, with respect to any person named in cash compensation set forth above that would in any way result in payments to any such person because of his resignation, retirement, or other termination of such person's employment with the company or its subsidiaries, or any change in control, or a change in the person's responsibilities following a changing in control of the Company.

### FINANCIAL STATEMENTS

The Flooring Zone, Inc.

Report of Independent Registered Public Accounting Firm  
and  
Consolidated Financial Statements

December 31, 2003

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The Flooring Zone, Inc.

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Report of Independent Registered Public Accounting Firm

The Board of Directors and Shareholders  
The Flooring Zone, Inc.

We have audited the accompanying consolidated balance sheet of The Flooring Zone, Inc. as of December 31, 2003 and the related consolidated statements of operations, stockholders' deficit, 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 consolidated financial statements based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform an audit 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 audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of The Flooring Zone, Inc. and subsidiaries as of December 31, 2003 and the results of operations and

cash flows for the years ended December 31, 2003 and 2002, in conformity with accounting principles generally accepted in the United States of America.

/s/ Mantyla McReynolds

Mantyla McReynolds  
Salt Lake City, Utah  
February 27, 2004

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<TABLE>  
<CAPTION>

The Flooring Zone, Inc.  
Consolidated Balance Sheet  
December 31, 2003

ASSETS

<S>	<C>	
Current assets:		
Cash	\$ 55,014	
Accounts receivable, net of allowance of \$45,976		111,684
Inventory-Notes 1 & 3	249,337	
Prepaid expense	4,468	
Total current assets	420,503	
Property & equipment, net - Notes 1 & 2		296,812
Other assets:		
Intangible assets, net of accumulated amortization of \$755		4,088
Deposits	2,266	
Total other assets	6,354	
<b>TOTAL ASSETS</b>	<b>\$ 723,669</b>	

See accompanying notes to financial statements

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</TABLE>  
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The Flooring Zone, Inc.  
Consolidated Balance Sheet [continued]  
December 31, 2003

LIABILITIES AND STOCKHOLDERS' DEFICIT

<S>	<C>	
Current liabilities:		
Accounts payable	\$ 382,712	
Line of credit-related party-Note 6		124,000
Customer deposits	146,527	
Accrued liabilities	28,312	
Current portion long-term debt - Note 7		74,331
Total current liabilities	755,882	
Long-term liabilities:-Note 7		
Note payable-related party		209,296
Long-term debt	276,497	
Current portion long-term debt		(74,331)
Total long-term liabilities	411,462	
Total liabilities	1,167,344	
Stockholders' deficit:-Note 5		
Preferred Stock, 10,000,000 shares authorized \$.001 par value: No shares issued and outstanding		-
Common stock, 100,000,000 shares authorized \$.001 par value; 38,352,700 shares issued and outstanding		38,353
Additional paid in capital	308,881	

Accounts receivable, shareholder	(12,500)	
Accumulated deficit	(778,409)	
	-----	
Total stockholders' deficit	(443,675)	
	-----	
TOTAL LIABILITIES AND STOCKHOLDERS' DEFICIT		\$ 723,669
	=====	

See accompanying notes to financial statements

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<CAPTION>

The Flooring Zone, Inc.  
Consolidated Statements of Operations  
For the years ended December 31, 2003 and 2002

Revenues:	2003	2002
	-----	-----
<S>	<C>	<C>
Sales	\$ 3,396,107	\$ 3,428,801
Licensing Fees	978	20,413
	-----	-----
Net revenues	3,397,085	3,449,214
Less cost of sales	2,384,848	2,445,144
	-----	-----
Gross profit	1,012,237	1,004,070
General and administrative expenses		1,434,035
	-----	-----
Net income (loss) from operations	(421,798)	(95,300)
Other income/(expense):		
Interest expense	(45,662)	(31,799)
	-----	-----
Total other income/(expense)	(45,662)	(31,799)
	-----	-----
Net income (loss) before taxes	(467,460)	(127,099)
Income taxes	-	-
	-----	-----
Net income (loss)	\$ (467,460)	\$ (127,099)
	=====	=====
Loss per share-basic and diluted	\$ (0.01)	\$ (0.01)
	=====	=====
Weighted average shares outstanding-basic and diluted	38,176,515	38,000,000
	=====	=====

See accompanying notes to financial statements

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The Flooring Zone, Inc.  
Consolidated Statements of Stockholders' Deficit  
For the Years Ended December 31, 2003 and 2002

	Shares Issued	Additional Common Stock	Accts. Paid in Capital	Accts. Receivable, Shareholder	Total Accumulated Deficit	Stockholders' Deficit
	-----	-----	-----	-----	-----	-----
<S>	<C>	<C>	<C>	<C>	<C>	<C>
Balance January 1, 2002	100	\$ 1,000	\$ -	\$ -	(168,850)	\$ (167,850)
Distributions to shareholders					(15,000)	(15,000)
Net loss for year ended December 31, 2002					(127,099)	(127,099)
	-----	-----	-----	-----	-----	-----
Balance, December 31, 2002	100	1,000	-	-	(310,949)	(309,949)
Recapitalization at merger with						

Nevada Corporation , May 13, 2003	38,124,900	37,125	24,484		61,609
Shares issued pursuant to Stock Incentive Plan at \$1.25/share	45,000	45	56,205		56,250
Shares issued for cash/credit at \$1.25/share	182,700	183	228,192	(12,500)	215,875
Net loss for year ended December 31, 2003				(467,460)	(467,460)
Balance, December 31, 2003	38,352,700	\$ 38,353	\$ 308,881	(12,500)	\$ (778,409) \$ (443,675)

See accompanying notes to financial statements

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</TABLE>  
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The Flooring Zone, Inc.  
Consolidated Statements of Cash Flows  
For the years ended December 31, 2003 and 2002

	2003	2002
	<C>	<C>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Net loss	\$ (467,460)	\$ (127,099)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation and amortization	35,436	24,659
Bad debt expense	27,776	8,700
Decrease (increase) in accounts receivable	(6,128)	(70,840)
Decrease (increase) in accounts receivable-related party	3,694	(3,694)
Decrease (increase) in inventories	44,468	(97,436)
Decrease (increase) in employee loans and advances	4,667	(4,667)
Decrease (increase) in prepaid expenses	2,000	(6,468)
Decrease (increase) in deposits	(115)	(2,151)
Increase (decrease) in bank overdraft	-	(11,473)
Increase (decrease) in accounts payable	(37,805)	186,136
Increase (decrease) in payroll and payroll taxes payable	(7,945)	21,014
Increase (decrease) in customer deposits	73,761	8,287
Net cash used in operating activities	(327,651)	(75,032)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of property and equipment	(39,406)	(159,671)
Purchase of intangible assets	-	(1,319)
Net cash used in investing activities	(39,406)	(160,990)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Net borrowing on line of credit-related party	124,000	-
Net borrowing (payments) on long term debt	(21,728)	298,696
Proceeds from the issuance of common stock	272,125	-
Distributions to shareholders	-	(15,000)
Net cash provided by financing activities	374,397	283,696
NET INCREASE IN CASH	7,340	47,674
CASH AT BEGINNING OF YEAR	47,674	-
CASH AT END OF YEAR	\$ 55,014	\$ 47,674

**SUPPLEMENTAL DISCLOSURES**

Cash paid for interest	\$ 45,662	\$ 31,799
Cash paid for income taxes	-	-
Issued stock to relinquish debt	61,069	-

See accompanying notes to financial statements

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</TABLE>

The Flooring Zone, Inc.



Note 1 ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization-The Flooring Zone, Inc. (the "Company") is a corporation organized under the laws of the State of Nevada on May 5, 2003. On May 13, 2003 pursuant to a Share Exchange Agreement, the Company acquired all of the outstanding common stock of The Flooring Zone of Georgia, Inc (the "Georgia Company"), a Georgia Corporation, in exchange for 38,125,000 shares of common stock of the Company. The company's business operations provide for full-service retail floor covering products and services.

The financial statements of the Company have been prepared in accordance with generally accepted accounting principles. The following summarizes the more significant of such policies:

Principles of Consolidation - The accompanying consolidated financial statements include the accounts of The Flooring Zone, Inc. and its wholly owned subsidiary, The Flooring Zone of Georgia, Inc. All significant intercompany balances and transactions are eliminated.

Revenue Recognition - The Company recognizes revenue according to Staff Accounting Bulletin 101, Revenue Recognition in Financial Statements which clarifies U.S. Generally accepted accounting principles for revenue transactions. Accordingly, revenue is recognized when an order has been received, the price is fixed and determinable, the order is shipped and installed, collection is reasonably assured and the Company has no significant obligations remaining. Licensing fees are royalties paid to the Company for licensing the use of the name The Flooring Zone. The royalties range from 1-2% of the licensee's commercial sales volume.

Use of Estimates in Preparation of Financial Statements - The preparation of financial statements in conformity with generally accepted accounting principles 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.

Cash and cash equivalents - The Company considers all highly liquid investments with original maturities at the date of purchase of three months or less to be cash equivalents.

Bad debt and allowance for doubtful accounts - The allowance for doubtful accounts is maintained at a level sufficient to provide for estimated credit losses based on evaluating known and inherent risks in the receivables portfolio. The Company provides an allowance for doubtful accounts which, based upon management's evaluation of numerous factors, including economic conditions, a predictive analysis of the outcome of the current portfolio and prior credit loss experience, is deemed adequate to cover reasonably expected losses inherent in outstanding receivables.

Concentrations of credit risk - Financial instruments which potentially subject the Company to concentrations of credit risk consist principally of trade receivables. The Company provides credit to its customers in the normal course of business, and accordingly performs ongoing credit evaluations and maintains allowances for potential credit losses. Concentrations of credit with respect to trade receivables are limited due to the Company requiring a deposit from customers.

Note 1 ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES -[continued]

Inventory - Inventories are stated at the lower of cost or market, cost being determined on a first-in, first- out method.

Property and Equipment - Property and equipment are stated at cost. Expenditures for maintenance and repairs are charged to expense as incurred. The following is a summary of the estimated useful lives and depreciation methods used in computing depreciation expense:

Asset	Depreciation Method	Estimated useful life
Equipment	Straight-line	5-10 years
Furniture and fixtures	Straight-line	10-15 years
Vehicles	Straight-line	10 years
Leasehold improvements	Straight-line	10 years
Displays	Replacement	N/A

Intangible Assets - Intangible assets include trademarks that have been registered with the United States Patent and Trademarks office. The costs of obtaining trademarks are capitalized as incurred and are amortized over their estimated useful lives of ten years using the straight-line method. Amortization expense for the years ended December 31, 2003 and 2002 were \$323 and \$316, respectively.

Income Taxes - In July 2000 the Company elected to be taxed as an S Corporation under the Internal Revenue Service Code. Accordingly, under such an election, the Company's taxable income was reported by the individual shareholders. In 2003 the Company cancelled its election to be taxed as an S Corporation and therefore applies the provisions of Statement of Financial Accounting Standards No. 109, Accounting for Income Taxes which requires an asset and liability approach for financial accounting and reporting for income taxes, and the recognition of deferred tax assets and liabilities for the temporary differences between the financial reporting basis and tax basis of the Company's assets and liabilities at enacted tax rates expected to be in effect when such amounts are realized or settled.

Net Loss Per Common Share - In accordance with Statement of Financial Accounting Standards No. 128, "Earnings Per Share," basic loss per common share is computed using the weighted average number of common shares outstanding. Diluted earnings per share is computed using weighted average number of common shares plus dilutive common share equivalents outstanding during the period using the treasury stock method. At December 31, 2003 there are no common stock equivalents outstanding, thus, basic and diluted loss per share calculations are the same.

Advertising Costs - Advertising costs of the Company are charged to expense as incurred. Advertising expense amounted to \$104,000 and \$147,414 in 2003 and 2002, respectively.

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The Flooring Zone, Inc.  
Notes to Consolidated Financial Statements  
December 31, 2003

#### Note 2 PROPERTY AND EQUIPMENT

The major categories of property and equipment are as follows:

	12/31/2003
Equipment	\$ 101,275
Furniture and fixtures	21,331
Vehicles	20,127
Leasehold improvements	152,515
Displays	82,750
Accumulated depreciation	(81,186)
Net property and equipment	<u>296,812</u>

Depreciation expense was \$35,113 in 2003, and \$24,343 in 2002.

#### Note 3 INVENTORY

Inventories are stated at lower of cost or market and consist of the following:

	12/31/03
Flooring material	249,337
Total	<u>\$ 249,337</u>

#### Note 4 INCOME TAXES

Below is a summary of deferred tax asset calculations on net operating loss carry forward amounts. Loss carry forward amounts expire through 2023. A valuation allowance is provided when it is more likely than not that some portion of the deferred tax asset will not be realized.

Description	NOL		
	Balance	Tax	Rate
Federal Income Tax	\$473,960	\$161,146	34%
Georgia State Income Tax	473,960	28,438	6%
Valuation allowance		(189,584)	
Deferred tax asset 12/31/2003		\$0	

The allowance has increased \$189,584 from \$0 as of December 31, 2002.

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The Flooring Zone, Inc.  
Notes to Consolidated Financial Statements  
December 31, 2003

#### Note 5 COMMON STOCK/PREFERRED STOCK

On May 13, 2003 pursuant to a Share Exchange Agreement, the Company acquired all of the outstanding common stock of The Flooring Zone of Georgia, Inc (the "Georgia Company), a Georgia Corporation, in exchange for 38,125,000 shares of common stock of the Company of which 125,000 eventually were issued to a creditor to relieve \$61,609 of debt.

Also on May 13, 2003 the Company's board of directors adopted the Company's 2003 Stock Incentive Plan ("The Plan"). The Plan grants options to its key employees, officers, directors, consultants, advisors and sales representatives to purchase up to 500,000 shares of its \$.001 par value restricted common stock at an exercise price of \$1.25 per share. All of which shall fully vest upon the date of grant. As of December 31, 2003 45,000 options have been granted and no granted options are unexercised.

On June 20, 2003 pursuant to receiving Notices of Stock Option exercise the Company issued 44,950 shares of its restricted Common Stock for \$56,187.50 or \$1.25 per share. The Company also accepted the Subscriptions and Investment Representation Letters from 14 investors and issued 37,700 shares of its restricted common stock at a price of \$1.25 per share for a total of \$47,125.

On August 1, 2003 the Company accepted the Subscriptions and Investment Representation Letters from 16 investors and issued 76,400 shares of its restricted common stock at a price of \$1.25 per share for a total of \$95,500.

In September 2003 the Company accepted the Subscriptions and Investment Representation Letters from 7 investors and issued 68,600 shares of its restricted common stock at a price of \$1.25 per share for a total of \$85,750. Of this, 10,000 shares were issued but payment of \$12,500 was not received until February 2004. This amount has been recorded as a receivable from shareholder in these financial statements. The Company also received Notices of Stock Option exercise and issued 50 shares of its restricted Common Stock for \$62.50 or \$1.25 per share.

The Company's preferred stock may be issued from time to time in one or more series. The Board of Directors are to establish by resolution(s) the number of shares to be included in each series, and to fix the designation, powers, preferences and rights of the shares of each such series and the qualifications, limitations or restrictions thereof.

#### Note 6 LINE OF CREDIT-RELATED PARTY

During the year ended December 31, 2003 the Company obtained a line of credit with a shareholder of the Company for the purpose of meeting cash flow needs. The interest rate on the line of credit is 6%. As of December 31, 2003, the outstanding balance on this line was \$124,000.

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The Flooring Zone, Inc.  
Notes to Consolidated Financial Statements  
December 31, 2003

Note 7 LONG-TERM DEBT

The following is a summary of the Company's indebtedness as of December 31, 2003:

Note payable to a bank with interest at 6.00% due in monthly installments of \$2,780.00 through August 2013, secured by property owned by the Company's president \$ 244,341

Note payable to a shareholder with interest at 10.00% due in monthly installments of \$4,565.33 through October 2008, unsecured 209,296

Note payable to a bank with interest at 5.84% due in monthly installments of \$610.94 through April 2006, secured by a vehicle 16,526

Note payable to a bank with interest at 8.00% due in monthly installments of \$633.42 through April 2005, secured by equipment 9,630

Note payable to an individual with interest at 6%, due on demand, unsecured 6,000

Total	----- \$ 485,793 =====
-------	------------------------------

Maturities of debt are as follows:

Year Ending December 31:	Amount
----- 2004	\$ 74,331
2005	69,077
2006	68,020
2007	70,834
Thereafter	203,531
	----- \$ 485,793 =====

Note 8 LEASES

The Company has entered into three operating leases with unrelated parties for its retail stores, warehouse and office facilities. The leases expire between 2007 and 2014. During the year ended December 31, 2003, and 2002 the Company paid lease payments in the amount of \$198,220 and \$131,260, respectively. In 2003 the Company also leased on a month to month basis additional office space totaling \$14,400.

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The Flooring Zone, Inc.  
Notes to Financial Statements  
December 31, 2003

Note 8 LEASES-[continued]

The following is a schedule by years of future minimum lease payments required under operating leases that have initial or remaining noncancellable lease terms in excess of one year as of December 31, 2003:

Year ended	Total
----- December 31, 2004	\$ 186,790
December 31, 2005	189,310
December 31, 2006	194,578
December 31, 2007	149,338
December 31, 2008	152,170
Totals	----- \$ 872,186 =====

Note 9 SUBSEQUENT EVENTS

On February 14, 2004 the Company entered into a note payable agreement with one of its vendors in the amount of \$155,070.11. This amount is included in the accounts payable section of these financial statements. Monthly payments are due in the amount of \$12,922.51 with interest at 6.00% through February 2005.

In April 2004 the Company accepted the Subscriptions and Investment Representation Letters from 3 investors and issued 76,000 shares of its restricted common stock at a price of \$1.25 per share for a total of \$95,000.

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The Flooring Zone, Inc.

CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2004

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<TABLE>  
<CAPTION>

The Flooring Zone, Inc.  
Condensed Consolidated Balance Sheet  
June 30, 2004  
(Unaudited)

ASSETS

<S>	<C>
Current assets:	
Cash	\$ 74,133
Accounts receivable, net	119,195
Inventory	479,684
Prepaid expense	4,468
	-----
Total current assets	677,480
Property & equipment, net	281,960
Other assets:	
Intangible assets, net	3,927
Deposits	1,563
	-----
Total other assets	5,490
	-----
TOTAL ASSETS	\$ 964,930
	=====

See accompanying notes to financial statements

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The Flooring Zone, Inc.  
Condensed Consolidated Balance Sheet-[continued]  
June 30, 2004  
(Unaudited)

LIABILITIES AND STOCKHOLDERS' DEFICIT

<S>	<C>
Current liabilities:	
Accounts payable	\$ 433,898
Line of credit-related party	198,144
Customer deposits	36,775
Accrued liabilities	19,536
Current portion long-term debt	212,305
	-----
Total current liabilities	900,658
	-----
Long-term liabilities:	

Note payable-related party	192,012	
Long-term debt	361,551	
Current portion long-term debt	(212,305)	
	-----	
Total long-term liabilities	341,258	
	-----	
Total liabilities	1,241,916	
	-----	
Stockholders' deficit:-Note 2		
Preferred Stock, 10,000,000 shares authorized \$.001 par value: No shares issued and outstanding	-	
Common stock, 100,000,000 shares authorized \$.001 par value: 38,428,700 shares issued and outstanding	38,429	
Additional paid in capital	403,805	
Accumulated deficit	(719,220)	
	-----	
Total stockholders' deficit	(276,986)	
	-----	
TOTAL LIABILITIES AND STOCKHOLDERS' DEFICIT		\$ 964,930

See accompanying notes to financial statements

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</TABLE>  
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The Flooring Zone, Inc.  
Condensed Consolidated Statements of  
Operations For the three month and six month periods  
ended June 30, 2004 and 2003  
(Unaudited)

	Three months ended June 30,		Six months ended June 30,	
	2004	2003	2004	2003
Revenues:				
	-----	-----	-----	-----
<S>	<C>	<C>	<C>	<C>
Sales	\$ 937,535	\$ 814,247	\$ 2,010,763	\$ 1,757,546
Licensing Fees	9	-	5,219	-
	-----	-----	-----	-----
Net revenues	937,544	814,247	2,015,982	1,757,546
Less cost of sales	624,338	569,441	1,227,026	1,203,165
	-----	-----	-----	-----
Gross profit	313,206	244,806	788,956	554,381
General and administrative expenses		307,599	266,758	698,738
		-----	-----	-----
Net income (loss) from operations		5,607	(21,952)	90,218
		-----	-----	-----
Other income (expense):				
Interest expense	(14,860)	(7,892)	(31,029)	(19,057)
Total other income (expense)	(14,860)	(7,892)	(31,029)	(19,057)
	-----	-----	-----	-----
Net income (loss) before taxes		(9,253)	(29,844)	59,189
Income taxes		-	-	-
Net income (loss)	\$ (9,253)	\$ (29,844)	\$ 59,189	\$ (107,876)
	=====	=====	=====	=====
Income (loss) per share-basic and diluted	\$ (0.01)	\$ (0.01)	\$ 0.00	\$ (0.01)
	=====	=====	=====	=====
Weighted average shares outstanding- basic and diluted	38,416,034	38,086,882	38,384,436	37,620,341
	=====	=====	=====	=====

See accompanying notes to financial statements

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The Flooring Zone, Inc.  
Condensed Consolidated Statements of Cash Flows  
For the six month periods ended June 30, 2004 and 2003  
(Unaudited)

	6/30/2004	6/30/2003
<S>	<C>	<C>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Net income (loss)	\$ 59,189	\$ (107,876)
Adjustments to reconcile net income (loss) to net cash used in operating activities:		
Depreciation and amortization	18,278	17,238
Decrease (increase) in accounts receivable	(7,512)	(9,278)
Decrease (increase) in inventories	(230,346)	(3,208)
Decrease (increase) in prepaid expenses	703	(115)
Increase (decrease) in accounts payable	51,185	(7,965)
Increase (decrease) in accrued liabilities	(8,776)	(7,302)
Increase (decrease) in customer deposits	(109,752)	(3,211)
Net cash used in operating activities	(227,031)	(121,717)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of property and equipment	(3,265)	(30,892)
Purchase of intangible assets	-	-
Net cash used in investing activities	(3,265)	(30,892)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Net borrowing(payments) on line of credit-related party	74,144	(20,645)
Net borrowing(payments) on long term debt	67,771	(45,684)
Proceeds from the issuance of common stock	107,500	227,209
Net cash provided by financing activities	249,415	160,880
NET INCREASE IN CASH	19,119	8,271
CASH AT BEGINNING OF PERIOD	55,014	47,674
CASH AT END OF PERIOD	\$ 74,133	\$ 55,945

**SUPPLEMENTAL DISCLOSURES**

Cash paid for interest	\$ 31,029	\$ 19,057
Cash paid for income taxes	-	-

See accompanying notes to financial statements

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</TABLE>

The Flooring Zone, Inc.  
Notes to Condensed Consolidated Financial Statements  
June 30, 2004

**Note 1 ORGANIZATION AND INTERIM FINANCIAL STATEMENTS**

**Organization** - The Flooring Zone, Inc. (the "Company") is a corporation organized under the laws of the State of Nevada on May 5, 2003. The company's business operations provide for full-service retail floor covering products and services.

**Interim financial statements** - The accompanying condensed consolidated financial statements have been prepared in accordance with generally accepted accounting principles for interim financial information. Accordingly, they do not include all of the information and footnotes required by accounting principles for complete financial statements generally accepted in the United States of America. There has not been any change in the significant accounting policies of The Flooring Zone, Inc. for the periods presented. It is suggested that these unaudited condensed consolidated financial statements be read in conjunction with the consolidated financial statements and the notes thereto included in the Company's Annual Report for the fiscal year ended December 31, 2003.

**Note 2 COMMON STOCK**

In April 2004 the Company accepted the Subscriptions and Investment Representation Letters from 3 investors and issued 76,000 shares of its

restricted common stock at a price of \$1.25 per share for a total of \$95,000.

CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS  
ON ACCOUNTING AND FINANCIAL DISCLOSURE

None.

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PART II

INFORMATION NOT REQUIRED IN PROSPECTUS

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INDEMNIFICATION OF DIRECTORS AND OFFICERS

The statutes, charter provisions, bylaws, contracts or other arrangements under which controlling persons, directors or officers of the registrant are insured or indemnified in any manner against any liability which they may incur in such capacity are as follows:

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(a) Section 78.751 of the Nevada Business Corporation Act provides that each corporation shall have the following powers:

1. A corporation may indemnify any person who was or is a party or is threatened to be made a party to any threatened, pending or completed action, suit or proceeding, whether civil, criminal, administrative or investigative, except an action by or in the right of the corporation, by reason of the fact that he is or was a director, officer, employee or agent of the corporation, or is or was serving at the request of the corporation as a director, officer, employee or agent of another corporation, partnership, joint venture, trust or other enterprise, against expenses, including attorneys' fees, judgments, fines and amounts paid in settlement actually and reasonably incurred by him in connection with the action, suit or proceeding if he acted in good faith and in a manner which he reasonably believed to be in or not opposed to the best interest of the corporation, and, with respect to any criminal action or proceeding, had no reasonable cause to believe his conduct was unlawful. The termination of any action, suit or proceeding by judgment, order, settlement, conviction, or upon a plea of nolo contendere or its equivalent, does not, of itself create a presumption that the person did not act in good faith and in a manner which he reasonably believed to be in or not opposed to the best interests of the corporation, and that, with respect to any criminal action or proceeding, he had reasonable cause to believe that his conduct was unlawful.

2. A corporation may indemnify any person who was or is a party or is threatened to be made a party to any threatened, pending or completed action or suit by or in the right of the corporation to procure a judgment in its favor by reason of the fact that he is or was a director, officer, employee or agent of the corporation, or is or was serving at the request of the corporation as a director, officer, employee or agent of another corporation, partnership, joint venture, trust or other enterprise against expenses, including amounts paid in settlement and attorneys' fees actually and reasonably incurred by him in connection with the defense or settlement of the action or suit if he acted in good faith and in a manner which he reasonably believed to be in or not opposed to the best interests of the corporation. Indemnification may not be made for any claim, issue or matter as to which such a person has been adjudged by a court of competent jurisdiction, after exhaustion of all appeals therefrom, to be liable to the corporation or for amounts paid in settlement to the corporation, unless and only to the extent that the court in which the action or suit was brought or other court of competent jurisdiction, determines upon application that in view of all the circumstances of the case, the person is fairly and reasonably entitled to indemnity for such expenses as the court deems proper.

3. To the extent that a director, officer, employee or agent of a corporation has been successful on the merits or otherwise in defense of any action, suit or proceeding referred to in subsections 1 and 2, or in defense of any claim, issue or matter therein, he must be indemnified by the corporation against expenses, including attorneys' fees, actually and reasonably incurred by him in connection with the defense.



4. Any indemnification under subsections 1 and 2, unless ordered by a court or

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advanced pursuant to subsection 5, must be made by the corporation only as authorized in the specific case upon a determination that indemnification of the director, officer, employee or agent is proper in the circumstances. The determination must be made:

(a) By the stockholders;

(b) By the board of directors by majority vote of a quorum consisting of directors who were not parties to the act, suit or proceeding;

(c) If a majority vote of a quorum consisting of directors who were not parties to the act, suit or proceeding so orders, by independent legal counsel, in a written opinion; or

(d) If a quorum consisting of directors who were not parties to the act, suit or proceeding cannot be obtained, by independent legal counsel in a written opinion.

5. The certificate or articles of incorporation, the bylaws or an agreement made by the corporation may provide that the expenses of officers and directors incurred in defending a civil or criminal action, suit or proceeding must be paid by the corporation as they are incurred and in advance of the final disposition of the action, suit or proceeding, upon receipt of an undertaking by or on behalf of the director or officer to repay the amount if it is ultimately determined by a court of competent jurisdiction that he is not entitled to be indemnified by the corporation. The provisions of this subsection do not affect any rights to advancement of expenses to which corporate personnel other than directors or officers may be entitled under any contract or otherwise by law.

6. The indemnification and advancement of expenses authorized in or ordered by a court pursuant to this section:

(a) Does not exclude any other rights to which a person seeking indemnification or advancement of expenses may be entitled under the certificate or articles of incorporation or any bylaw, agreement, vote of stockholders of disinterested directors or otherwise, for either an action in his official capacity or an action in another capacity while holding his office, except that indemnification, unless ordered by a court pursuant to subsection 2 or for the advancement of expenses made pursuant to subsection 5, may not be made to or on behalf of any director or officer if a final adjudication establishes that his acts or omissions involved intentional misconduct, fraud or a knowing violation of the law and was material to the cause of action.

(b) Continues for a person who has ceased to be a director, officer, employee or agent and inures to the benefit of the heirs, executors and administrators of such a person.

7. The registrant's Articles of Incorporation limit liability of its Officers and Directors to the full extent permitted by the Nevada Business Corporation Act.

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#### OTHER EXPENSES OF ISSUANCE AND DISTRIBUTION

The following table sets forth the estimated costs and expenses we will pay in connection with the offering described in this registration statement.

Expense	Amount Maximum
SEC Registration Fees	\$ 2,534.00
Blue Sky fees and expenses	5,000.00
Printing and shipping expenses	10,000.00
Legal fees and expenses	100,000.00
Accounting fees and expenses	100,000.00
Transfer and miscellaneous expenses	7,466.00

Total \$ 225,000.00

#### RECENT SALES OF UNREGISTERED SECURITIES

We have issued the following unregistered securities since our inception on May 5, 2003:

On May 13, 2003, 38,125,000 restricted common shares were issued to our CEO and director, Jimmy Lee, and to our Secretary and director, Mike Carroll, pursuant to a Share Exchange Agreement in exchange for 98,000,000 common shares of The Flooring Zone of Georgia, Inc., a Georgia corporation, which shares were owned by Mr. Lee and Mr. Carroll. The shares were issued without registration under the Securities Act of 1933 in reliance on an exemption from registration provided by Section 4(2) of the Securities Act, and from similarly applicable state securities laws, rules and regulations exempting the offer and sale of these securities by available state exemptions. No general solicitation was made in connection with the offer or sale of these securities. The Company received no cash for these securities.

In June 2003, under The Flooring Zone, Inc., 2003 Stock Incentive Plan we granted stock options to purchase up to an aggregate of 45,000 shares of our common stock to 26 of our employees and/or consultants. The options were granted without registration under the Securities Act of 1933 in reliance on an exemption from registration provided by Rule 701 of Regulation E of the Securities Act, and from similarly applicable state securities laws, rules and regulations exempting the offer and sale of these securities by available state exemptions. The Company received no cash for these securities.

In June and September of 2003, 45,000 restricted common shares were issued to 26 employees and/or consultants pursuant to Notices of Exercise of stock options granted. The shares were issued without registration under the Securities Act of 1933 in reliance on an exemption from registration provided by Rule 701 of Regulation E of the Securities Act, and from similarly applicable state securities laws, rules and regulations exempting the offer and sale of these securities by available state

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exemptions. No general solicitation was made in connection with the offer or sale of these securities. The Company received \$56,250 cash for these securities.

From June through September of 2003, 182,700 restricted common shares were issued pursuant to subscription agreements received from 34 individuals. The shares were issued without registration under the Securities Act of 1933 in reliance on an exemption from registration provided by Rule 504 of Regulation D of the Securities Act, and from similarly applicable state securities laws, rules and regulations exempting the offer and sale of these securities by available state exemptions. No general solicitation was made in connection with the offer or sale of these securities. The Company received \$228,375 cash for these securities.

In April of 2004, 76,000 restricted common shares were issued pursuant to subscription agreements received from three accredited investors. The shares were issued without registration under the Securities Act of 1933 in reliance on an exemption from registration provided by Rule 506 of Regulation D of the Securities Act, and from similarly applicable state securities laws, rules and regulations exempting the offer and sale of these securities by available state exemptions. No general solicitation was made in connection with the offer or sale of these securities. The Company received \$95,000 cash for these securities.

#### EXHIBIT INDEX

SEC Reference	Exhibit No.	Document	Location
3	3.01	Articles of Incorporation	Attached
3	3.02	Bylaws	Attached
4	4.01	The Flooring Zone, Inc. 2003 Stock Incentive Plan	Attached
5	5.01	Opinion on Legality	Attached

23	23.01	Consent of Independent Auditors	Attached
23	23.02	Consent of Attorney	See Exhibit 5.01
99	99.01	Specimen Subscription Agreement	Attached

UNDERTAKINGS

Insofar as indemnification for liabilities arising under the Securities Act of 1933 may be permitted to directors, officers and controlling persons of The Flooring Zone, Inc. pursuant to the foregoing provisions, or otherwise, we have been advised that in the opinion of the Securities and Exchange Commission such indemnification is against public policy as expressed in the Act and is, therefore, unenforceable. In the event that a claim for indemnification against such liabilities (other than the payment by us of expenses incurred or paid by a director, officer or controlling person of The Flooring Zone, Inc. in the successful defense of any action, suit or proceeding) is asserted by such director, officer or controlling person in connection with the securities being registered, we will, unless in the opinion of its counsel the matter has been settled by controlling precedent, submit to a court of appropriate jurisdiction the question whether such indemnification by it is against public policy as expressed in the Act and will be governed by the final adjudication of such issue.

We hereby undertake to:

(1) File, during any period in which it offers or sells securities, a post-effective amendment to this registration statement to:

(i) Include any prospectus required by section 10(a)(3) of the Securities Act;

(ii) Reflect in the prospectus any facts or events which, individually or together, represent a fundamental change in the information in the registration statement. Notwithstanding the foregoing, any increase or decrease in volume of securities offered (if the total dollar value of securities offered would not exceed that which was registered) and any deviation from the low or high end of the estimated maximum offering range may be reflected in the form of prospectus filed with the Commission pursuant to Rule 242(b) if, in the aggregate, the changes in volume and price represent no more than a 20% change in the maximum aggregate offering price set forth in the "Calculation of Registration Fee" table in the effective registration statement; and

(iii) Include any additional or changed material information on the plan of distribution.

(2) For determining liability under the Securities Act treat each post-effective amendment as a new registration statement of the securities offered, and the offering of the securities at that time to be the initial bona fide offering.

(3) File a post-effective amendment to remove from registration any of the securities that remain unsold at the end of the offering.

SIGNATURES

The issuer has duly caused this SB-2 registration statement to be signed on its behalf by the undersigned, thereunto duly authorized, in the City of Brunswick, State of Georgia, on September 23, 2004.

THE FLOORING ZONE, INC.

By: /s/ Jimmy Lee  
 \_\_\_\_\_  
 Jimmy Lee, President

This SB-2 registration statement has been signed by the following persons in the capacities and on the dates indicated.

Name and Title	Date
/s/ Jimmy Lee	

-----  
Jimmy Lee  
CEO, President & Director

September 23, 2004

/s/ Michael Carroll  
-----  
Michael Carroll  
Secretary & Director

September 23, 2004

ARTICLES OF INCORPORATION

OF

THE FLOORING ZONE, INC.

THE UNDERSIGNED, having associated ourselves together for the purpose of forming a corporation for the transaction of business and the promotion and conduct of the objects and purposes hereinafter stated, under the provisions of and subject to the requirements of the laws of the State of Nevada, do make, record and file these Articles of Incorporation, in writing, and we do hereby certify:

ARTICLE I

The name of this Corporation shall be: The Flooring Zone, Inc.

ARTICLE II

The purpose for which said Corporation is formed and the nature of the objects proposed to be transacted and carried on by it is to engage in any and all other lawful activity, as provided by the laws of the State of Nevada.

ARTICLE III

The Corporation is authorized to issued two classes of shares to be designated, respectively, "common stock" and "preferred stock." The total number of shares shall be one hundred and ten million (110,000,000), all of which shares shall have a par value of \$.001 per share but said Capital Stock may be increased or decreased from time to time in accordance with the provisions of the laws of the State of Nevada. The total number of shares of common stock authorized to be issued shall be one hundred million (100,000,000) and the total number of shares of preferred stock authorized to be issued shall be ten million (10,000,000).

(a) Common Stock

Terms of Common Stock.

1. Voting Rights. Except as otherwise expressly provided by law or in this Article III, each outstanding share of common stock shall be entitled to one (1) vote on each matter to be voted on by the shareholders of the Corporation.

2. Liquidation Rights. Subject to any prior or superior rights of liquidation as may be conferred upon any shares of preferred stock, and after payment or provision for payment of

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the debts and other liabilities of the Corporation, upon any voluntary or involuntary liquidation, dissolution or winding up of the affairs of the Corporation, the holders of stock then outstanding shall be entitled to receive all of the assets and funds of the Corporation remaining and available for distribution. Such assets and funds shall be divided among and paid to the holders of common stock, on a pro-rata basis, according to the number of shares of common stock held by them.

3. Dividends. Dividends may be paid on the outstanding shares of common stock as and when declared by the Board of Directors, out of funds legally available therefor.

4. Residual Rights. All rights accruing to the outstanding shares of the Corporation not expressly provided for to the contrary herein or in the Corporation's bylaws or in any amendment hereto or thereto shall be vested in the common stock.

(b) Preferred Stock

The shares of preferred stock may be issued from time to time

in one or more series. The Board of Directors are hereby authorized to establish from time to time by resolution or resolutions the number of shares to be included in each such series, and to fix the designation, powers, preferences and rights of the shares of each such series and the qualifications, limitations or restrictions thereof, including but not limited to the fixing or alteration of the dividend rights, dividend rate or rates, conversion rights, voting rights, rights and terms of redemption (including sinking fund provisions), the redemption price or prices, and the liquidation preferences of any wholly unissued series of shares of preferred stock, and the number of shares constituting any such series and the designation thereof, or any or all of them; and to increase or decrease the number of shares of any series subsequent to the issue of shares of that series, but not below the number of shares of such series then outstanding. In case the number of shares of any series shall be so decreased, the shares constituting such decrease shall resume the status which they had prior to the adoption of the resolution originally fixing the number of shares of such series.

#### ARTICLE IV

The members of the Governing Board of the Corporation are styled Directors. The initial board of directors shall consist of two member. The names and post office addresses of the First Board of Directors are as follows:

Name	Address
----	-----
Jimmy Lee	3219 Glynn Avenue Brunswick, Georgia 31520
Michael Carroll	3219 Glynn Avenue Brunswick, Georgia 31520

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#### ARTICLE V

The name and address of the incorporator signing these Articles of Incorporation, who is above the age of eighteen (18) years, is as follows:

Name	Address
----	-----
Adam R. Cook	136 East South Temple, Suite 1700A Salt Lake City, Utah 84111

#### ARTICLE VI

The name and address of the Resident Agent is as follows:

Name	Address
----	-----
Gateway Enterprises, Inc.	3230 East Flamingo Road, Suite 156 Las Vegas, Nevada 89121

and Gateway Enterprises, Inc., does hereby certify that on the 2nd day of May, 2003, they accepted the appointment as Resident Agent of the Corporation in accordance with Section 78.090, N.R.S.

Gateway Enterprises, Inc.

/s/ Kurtis D. Hughes, V.P.

#### ARTICLE VII

No director or officer of the Corporation shall be personally liable to the Corporation or any of its stockholders for damages for breach of fiduciary duty as a director or officer; provided, however, that the foregoing provision shall not eliminate or limit the liability of a director or officer (i) for acts or omissions which involve intentional misconduct, fraud or knowing violation of law, or (ii) the payment of dividends in violation of Section 78.300 of the Nevada Revised Statutes. Any repeal or modification of an Article by the

stockholders of the Corporation shall be prospective only, and shall not adversely affect any limitation of the personal liability of a director or officer of the Corporation for acts or omissions prior to such repeal or modification.

ARTICLE VIII

The provisions of NRS 78.378 to 78.3793, inclusive shall not be applicable to any acquisition of a controlling interest in the Corporation.

IN WITNESS WHEREOF, I have hereunto subscribed my name this 2nd day of May, 2003.

/s/ Adam R. Cook  
Adam R. Cook, Incorporator

State of Utah            )  
                                  :ss.  
County of Salt Lake    )

On the 2nd day of May, 2003, personally appeared before me, a notary public (or judge or other authorized person, as the case may be), duly commissioned and sworn, Adam R. Cook, personally known or proven to me on the basis of satisfactory evidence to be the person whose name is subscribed to the foregoing instrument and who acknowledged that she executed the instrument.

IN WITNESS WHEREOF, I have executed this notary and affixed my official seal.

NOTARY SEAL

/s/ Sara Marchant  
-----  
NOTARY PUBLIC

My Commission Expires: 4-3-05

BYLAWS  
OF  
THE FLOORING ZONE, INC.

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BYLAWS

OF

THE FLOORING ZONE, INC.

ARTICLE I

OFFICE

Section 1.1 Office The principal office of the Corporation outside the State of Nevada shall be located at 3219 Glynn Avenue, Brunswick, Georgia 31520. The Corporation may maintain such other offices, within or without the State of Nevada, as the Board of Directors may from time to time designate. The location of the principal office may be changed by the Board of Directors.

ARTICLE II  
SHAREHOLDERS' MEETING

Section 2.1 Annual Meetings The annual meeting of the shareholders of the Corporation shall be held at such place within or without the State of Nevada as shall be set forth in compliance with these Bylaws. The meeting shall be held on the 1st Thursday of September of each year beginning with the year 2003 at 10:00 a.m. If such day is a legal holiday, the meeting shall be on the next business day. This meeting shall be for the election of directors and for the transaction of such other business as may properly come before it.

No change of the time or place of a meeting for the election of directors, as fixed by the Bylaws, shall be made within sixty (60) days before the election is to be held. In case of any change in such time or place for such election of directors, notice thereof shall be given to each stockholder entitled to vote, in person, or by letter mailed to his last known post office address as shown on the Corporate books, ten (10) days before the election is held.

In the event that such annual meeting is omitted by oversight or otherwise on the date herein provided for, the directors shall cause a meeting in lieu thereof to be held as soon thereafter as

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conveniently may be called, and any business transacted or elections held at such meeting shall be as valid as if transacted or held at the annual meeting.

If the election of directors shall not be held on the date designated herein for an annual meeting of shareholders, or at any adjournment thereof, the Board of Directors shall cause the election to be held at a special meeting of shareholders as soon thereafter as may conveniently be called. Such subsequent meetings shall be called in the same manner as is provided for the annual meeting of shareholders.

Section 2.2 Special Meetings. Special meetings of shareholders, other than those regulated by statute, may be called at any time by the President, by the Chairman of the Board or by a majority of the directors, and must be called by the President upon written request of the holders of not less than 10% of the issued and outstanding shares entitled to vote at such special meeting.

Section 2.3 Notice of Shareholders' Meetings. The President, Vice President and Secretary shall give written notice stating the place, day and hour of the meeting, and in the case of a special meeting the purpose or purposes for which the meeting is called, which shall be delivered not less than ten (10) nor more than sixty (60) days before the day of the meeting, either personally or by mail to each shareholder of record entitled to vote at such meeting. If mailed, such notice shall be deemed to be delivered when deposited in the United States mail addressed to the shareholder at his address as it appears on the books of the Corporation, with postage thereon prepaid.

Any meeting of which all shareholders shall at any time waive or have waived notice in writing shall be a legal meeting for the transaction of business notwithstanding that notice has not been given as hereinbefore provided.

Section 2.4 Waiver of Notice. Whenever any notice is required to be given by these Bylaws, or the Articles of Incorporation, or by any of the Corporation Laws of the State of Nevada, a

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shareholder may waive the notice of meeting by attendance, either in person or by proxy, at the meeting, or by so stating in writing, either before or after such meeting. Attendance at a meeting for the express purpose of objecting that the meeting was not lawfully called or convened shall not, however, constitute a waiver of notice.

Section 2.5 Place of Meeting. The Board of Directors may designate any place, either within or without the State of Nevada, as the place of meeting for any annual meeting or for any special meeting called by the Board of Directors. If no designation is made, or if a special meeting be otherwise called, the place of meeting shall be the office of the Corporation, in the City of Brunswick, Georgia.

Section 2.6 Closing of Transfer Books or Fixing Records Date. For the purpose of determining shareholders entitled to notice or to vote at any meeting of shareholders or any adjournment thereof, or shareholder entitled to receive payment of any dividend, or in order to make a determination of shareholders for any other proper purpose, the Board of Directors of the Corporation may provide that the stock transfer books be closed for a period not to exceed in any case fifty (50) days. If the stock transfer books shall be closed for the purpose of determining shareholders, such books shall be closed for at least ten (10) days immediately preceding the date determined to be the date of record. In lieu of closing the stock transfer books, the Board of Directors may fix in advance a date as the record date for any such determination of shareholders, such date in any case to be not more than sixty (60) days and in case of a meeting of shareholders not less than ten (10) days prior to the date on which the particular action requiring such determination of shareholders is to be taken. If the stock transfer books are not closed and no record date is fixed for the determination of shareholders entitled to notice or to vote at a meeting of shareholders or

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shareholders entitled to receive payment of a dividend, the date on which the resolution of the Board of Directors declaring such dividend is adopted, as the case may be, shall be deemed the record for such determination of shareholders. When a determination of shareholders entitled to vote at any meeting of shareholders has been made as provided in this section, such determination shall apply to any adjournment thereof.

Section 2.7 Quorum of Shareholders. Except as herein provided and as otherwise provided by law, at any meeting of shareholders a majority in interest of all the shares issued and outstanding represented by shareholders of record in person or by proxy shall constitute a quorum, but a less interest may adjourn any meeting and the meeting may be held as adjourned without further notice; provided, however, that directors shall not be elected at the meeting so adjourned.

If notice of such adjourned meeting is sent to the stockholders entitled to receive the same, such notice also containing a statement for the purpose of the meeting and that the previous meeting failed for lack of a quorum, and that under the provisions of this Section it is proposed to hold the adjourned meeting with a quorum of those present, then any number of stockholders, in person or by proxy, shall constitute a quorum at such meeting unless otherwise provided by statute. When a quorum is present at any meeting, a majority in interest of the shares represented thereat shall decide any question brought before such meeting, unless the question is one upon which the express provision of law or of the Articles of Incorporation or of these Bylaws a larger or different vote is required, in which case such express provision shall govern and control the decision of such question.

Section 2.8 Voting Lists. The officer or agent having charge of the stock transfer books for shares of the Corporation shall make a complete list of the shareholders entitled to vote at such meeting or any adjournment thereof, arranged in alphabetical order, with the address of and the

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number of shares held by each, which list shall be produced and kept open at the time and place of the meeting and shall be subject to the inspection of any shareholder, for any purpose germane to the meeting, during the whole time of the meeting. The original stock transfer books shall be prima-facie evidence as to which shareholders are entitled to examine such list or transfer books or to vote at any meeting of shareholders.

Failure to comply with the requirements of this section shall not affect the validity of any action taken at such meeting of the shareholders.

Section 2.9 Voting. A holder of an outstanding share entitled to vote at a meeting may vote at such meeting in person or by proxy. Except as may otherwise be provided in the Articles of Incorporation, every shareholder shall be entitled to one vote for each share outstanding in his name on the record of shareholders. Except as herein or in the Articles of Incorporation otherwise provided, all corporate action shall be determined by a majority of the votes cast at a meeting of shareholders by the holders of shares entitled to vote thereon.

Section 2.10 Proxies. At all meetings of shareholders, a shareholder may vote in person or by proxy executed in writing by the shareholder or by his duly authorized attorney in fact. Such proxy shall be filed with the secretary of the Corporation before or at the time of the meeting. No proxy shall be valid after eleven months from the date of its execution, unless otherwise provided in the proxy.

Section 2.11 Informal Action by Shareholders. Any action required to be taken at a meeting of the shareholders, or any action which may be taken at a meeting of the shareholders, may be taken without a meeting of the shareholders, if before or after the action, a written consent, setting forth

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the action so taken, is signed by shareholders holding at least a majority of the voting power entitled to vote with respect to the subject matter thereof.

### ARTICLE III BOARD OF DIRECTORS

Section 3.1 General Powers. The business and affairs of the Corporation shall be managed by its Board of Directors. The Board of Directors may adopt such rules and regulations for the conduct of their meetings and the management of the Corporation as they deem proper.

Section 3.2 Number, Tenure and Qualifications. The number of directors for the Board of Directors of the Corporation shall be not less than two (2) nor more than seven (7). Each director shall hold office until the next annual meeting of the shareholders and until his successor shall have been elected and qualified. Directors need not be residents of the State of Nevada or shareholders of the Corporation.

Section 3.3 Election of the Board of Directors. The Board of Directors shall be chosen by ballot at the annual meeting of shareholders or at any meeting held in place thereof as provided by law.

Section 3.4 Regular Meetings. A regular meeting of the Board of Directors shall be held without other notice than by this Bylaw, immediately following and at the same place as the annual meeting of the shareholders. The Directors may hold their meetings and have one or more offices, and keep the books of the corporation outside the State of Nevada, at any office or offices of the Corporation or at any other place as they may from time to time by resolution determine.

Members of the Board of Directors may participate in a meeting of the Board by means of conference telephone or similar communications equipment by which all persons participating in the

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meeting can hear each other and participation in a meeting under this subsection shall constitute presence in person at the meeting, pursuant to Nevada Revised Statute, Section 78.315.

Section 3.5 Special Meeting. Special meetings of the Board of Directors may be called by order of the Chairman of the Board, the President or by one-third of the directors. The Secretary shall give notice of the time, place and purpose or purposes of each special meeting by mailing the same at least two days before the meeting or by telephoning or telegraphing the same at least one day before the meeting to each director.

Section 3.6 Waiver of Notice. Whenever any notice whatsoever is required to be given by these Bylaws, or the Articles of Incorporation of the Corporation, or by any of the Corporation Laws of the State of Nevada, a director may waive the notice of meeting by attendance in person at the meeting, or by so stating in writing, either before or after such meeting. Attendance at a meeting for the express purpose of objecting that the meeting was not lawfully called or convened shall not, however, constitute a waiver of notice.

Section 3.7 Quorum. A majority of the members of the Board of Directors shall constitute a quorum for the transaction of business, but less than a quorum may adjourn any meeting from time to time until a quorum shall be present, whereupon the meeting may be held, as adjourned, without further notice. At any meeting at which every director shall be present, even though without any notice, any business may be transacted.

Section 3.8 Manner of Acting. At all meetings of the Board of Directors, each director shall have one vote. The act of a majority present at a meeting shall be the act of the Board of Directors, provided a quorum is present. Any action required to be taken or which may be taken at a meeting of the Board of Directors, may be taken without a meeting of the Directors, if a consent in writing

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setting forth the action so taken shall be signed by all the directors. The directors may conduct a meeting by means of a conference telephone or any similar communication equipment by which all persons participating in the meeting can hear each other.

Section 3.9 Powers of Directors. The Board of Directors shall have the responsibility for the entire management of the business of the Corporation. In the management and control of the property, business and affairs of the Corporation, the Board of Directors is hereby vested with all of the powers possessed by the Corporation itself so far as this delegation of authority is not inconsistent with the laws of the State of Nevada and with the Articles of Incorporation or with these Bylaws. The Board of Directors shall have the power to determine what constitutes net earnings, profits and surplus, respectively,

and what amounts shall be reserved for working capital and for any other purpose and what amounts shall be declared as dividends, and such determination by the Board of Directors shall be final and conclusive.

Section 3.10 Specific Powers of Directors. Without prejudice to such general powers, it is hereby expressly declared that the directors shall have the following powers to-wit:

- (1) To adopt and alter a common seal of the corporation.
- (2) To make and change regulations, not inconsistent with these By-Laws, for the management of the corporation's affairs and business.
- (3) To purchase or otherwise acquire for the corporation any property, rights or privileges which the corporation is authorized to acquire.
- (4) To pay for any property purchased for the corporation either wholly or partly in money, stock, bonds, debentures or other securities of the corporation.

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- (5) To borrow money and to make and issue notes, bonds, and other negotiable and transferable instruments, mortgages, deeds of trust and trust agreements, and to do every act and thing necessary to effectuate the same.
- (6) To remove any officer for cause, or any officer other than the President summarily without cause, and in their discretion, from time to time, to develop the powers and duties of any officer upon any other person for the time being.
- (7) To appoint and remove or suspend such subordinate officers, agents or factors as they may deem necessary and to determine their duties and fix, and from time to time change their salaries or remuneration, and to require security as and when they think fit.
- (8) To confer upon any officer of the corporation the power to appoint, remove and suspend subordinate officers, agents and factors.
- (9) To determine who shall be authorized on the corporation's behalf to make and sign bills, notes, acceptances, endorsements, checks, releases, receipts, contracts and other instruments.
- (10) To determine who shall be entitled to vote in the name and behalf of the corporation, or to assign and transfer, any shares of stock, bonds, or other securities of other corporations held by this corporation.
- (11) To delegate any of the powers of the Board in relation to the ordinary business of the corporation to any standing or special committee, or to any officer or agent (with power to sub-delegate), upon such terms as they think fit.
- (12) To call special meetings of the stockholders for any purpose or purposes.

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- (13) The directors shall have the right and the power to propose any amendment to the By- Laws of this corporation at any meeting whether called for that purpose or not and to submit to the next regular meeting of directors said proposal or amendment to the By-Laws of this corporation.

Section 3.11 Vacancies. A vacancy in the Board of Directors shall be deemed to exist in case of death, resignation or removal of any director, or if the authorized number of directors be increased, or if the shareholders fail at any meeting of shareholders at which any director is to be elected, to elect the full authorized number to be elected at that meeting.

Any vacancy occurring in the Board of Directors may be filled by an affirmative vote of the majority of the remaining directors though less than a quorum of the Board of Directors, unless otherwise provided by law or the Articles of Incorporation. A director elected to fill a vacancy shall be elected for the unexpired term of his predecessor in office. Any directorship to be filled by reason of an increase in the number of directors shall be filled by election at the annual meeting or at a special meeting of shareholders called

for that purpose.

Section 3.12 Removals. Directors may be removed at any time, at a meeting called expressly for that purpose by a vote of the shareholders holding a majority of the shares issued and outstanding and entitled to vote. Such vacancy shall be filled by the directors then in office, though less than a quorum, to hold office until the next annual meeting or until his successor is duly elected and qualified, except that any directorship to be filled by reason of removal by the shareholders may be filled by election, by the shareholders, at the meeting at which the director is removed. No reduction of the authorized number of directors shall have the effect of removing any director prior to the expiration of his term of office.

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Section 3.13 Resignations. A director may resign at any time by delivering written notification thereof to the President or Secretary of the Corporation. Such resignation shall become effective upon its acceptance by the Board of Directors; provided, however, that if the Board of Directors has not acted thereon within ten days from the date of its delivery, the resignation shall upon the tenth day be deemed accepted.

Section 3.14 Presumption of Assent. A director of the Corporation who is present at a meeting of the Board of Directors at which action on any corporate matter is taken shall be presumed to have assented to the action taken unless his dissent shall be entered in the minutes of the meeting or unless he shall file his written dissent to such action with the person acting as the Secretary of the meeting before the adjournment thereof or shall forward such dissent by registered mail to the Secretary of the Corporation immediately after the adjournment of the meeting. Such right to dissent shall not apply to a director who voted in favor of such action.

Section 3.15 Compensation. By resolution of the Board of Directors, the directors shall be paid their expenses, if any, of attendance at each meeting of the Board of Directors, and may be paid a fixed sum for attendance at each meeting of the Board of Directors or a stated salary as director. No such payment shall preclude any director from serving the Corporation in any other capacity and receiving compensation therefor.

Section 3.16 Emergency Power. When, due to a national disaster or death, a majority of the directors are incapacitated or otherwise unable to attend the meetings and function as directors, the remaining members of the Board of Directors shall have all the powers necessary to function as a complete Board and, for the purpose of doing business and filling vacancies, shall constitute a quorum until such time as all directors can attend or vacancies can be filled pursuant to these Bylaws.

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Section 3.17 Chairman. The Board of Directors may elect from its own number a Chairman of the Board, who shall preside at all meetings of the Board of Directors, and shall perform such other duties as may be prescribed from time to time by the Board of Directors.

#### ARTICLE IV OFFICERS

Section 4.1 Number. The officers of the Corporation shall be a President, one or more Vice Presidents, a Secretary and a Treasurer, each of whom shall be elected by a majority of the Board of Directors. Such other officers and assistant officers as may be deemed necessary may be elected or appointed by the Board of Directors. In its discretion, the Board of Directors may leave unfilled for any such period as it may determine any office except those of President and Secretary. Pursuant to Nevada Revised Statute, Section 78.130 any two or more offices may be held by the same person, including the offices of the President and Secretary. Officers may or may not be directors or shareholders of the Corporation.

Section 4.2 Election and Term of Office. The officers of the Corporation are to be elected by the Board of Directors at the first meeting of the Board of Directors held after each annual meeting of the shareholders. If the election of officers shall not be held at such meeting, such election shall be held as soon thereafter as convenient. Each officer shall hold office until

his successor shall have been duly elected and shall have qualified or until his death or until he shall resign or shall have been removed in the manner hereinafter provided.

Section 4.3 Resignation. Any officer may resign at any time by delivering a written resignation either to the President or to the Secretary. Unless otherwise specified therein, such resignation shall take effect upon delivery.

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Section 4.4 Removal. Any officer or agent may be removed by the Board of Directors whenever in its judgment the best interests of the Corporation will be served thereby but such removal shall be without prejudice to the contract rights, if any, of the person so removed. Election or appointment of an officer or agent shall not of itself create contract rights. Any such removal shall require a majority vote of the Board of Directors, exclusive of the officer in question if he is also a director.

Section 4.5 Vacancies. A vacancy in any office because of death, resignation, removal, disqualification or otherwise, or if a new office shall be created, may be filled by the Board of Directors for the unexpired portion of the term.

Section 4.6 President. The President shall be the chief executive and administrative officer of the Corporation. He shall preside at all meetings of the shareholders and, in the absence of the Chairman of the Board, at meetings of the Board of Directors. He shall exercise such duties as customarily pertain to the office of President and shall have general and active supervision over the property, business and affairs of the Corporation and over its several officers. He may appoint officers, agents or employees other than those appointed by the Board of Directors. He may sign, execute and deliver in the name of the Corporation, powers of attorney, certificates of stock, contracts, bonds, deeds, mortgages and other obligations and shall perform such other duties as may be prescribed from time to time by the Board of Directors or by the Bylaws.

Section 4.7 Vice President. The Vice President shall have such powers and perform such duties as may be assigned to him by the Board of Directors or the President. In the absence or disability of the President, the Vice President designated by the board or the President shall perform the duties and exercise the powers of the President. In the event there is more than one Vice

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President and the Board of Directors has not designated which Vice President is to act as President, then the Vice President who was elected first shall act as President. A Vice President may sign and execute contracts and other obligations pertaining to the regular course of his duties.

Section 4.8 Secretary. The Secretary shall keep the minutes of all meetings of the shareholders and of the Board of Directors and to the extent ordered by the Board of Directors or the President, the minutes of meetings of all committees. He shall cause notice to be given of the meetings of shareholders, of the Board of Directors and any committee appointed by the Board. He shall have custody of the corporate seal and general charge of the records, documents and papers of the Corporation not pertaining to the performance of the duties vested in other officers, which shall at all reasonable times be open to the examination of any director. He may sign or execute contracts with the President or Vice President thereunto authorized in the name of the Corporation and affix the seal of the Corporation thereto. He shall perform such other duties as may be prescribed from time to time by the Board of Directors or by the Bylaws. He shall be sworn to the faithful discharge of his duties. Assistant Secretaries shall assist the Secretary and shall keep and record such minutes of meetings as shall be directed by the Board of Directors.

Section 4.9 Treasurer. The Treasurer shall have general custody of the collection and disbursement of funds of the Corporation for collection checks, notes, and other obligations, and shall deposit the same to the credit of the Corporation in such bank or banks or depositories as the Board of Directors may designate. He may sign, with the President, or such other persons as may be designated for the purpose by the Board of Directors, all bills of exchange or

promissory notes of the Corporation. He shall enter or cause to be entered regularly in the books of the Corporation full and accurate accounts of all monies received and paid by him on account of the Corporation; shall at all

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reasonable times exhibit his books and accounts to any director of the Corporation upon application at the office of the Corporation during business hours; and, whenever required by the Board of Directors or the President, shall render a statement of his accounts. Upon request by the Board of Directors, he shall give the corporation a bond for the faithful discharge of his duties in such amount and with such surety as the Board shall prescribe. He shall perform such other duties as may be prescribed from time to time by the Board of Directors or by the Bylaws.

Section 4.10 General Manager. The Board of Directors may employ and appoint a General Manager who may, or may not, be one of the officers or directors of the Corporation. If employed by the Board of Directors he shall be the chief operating officer of the Corporation and, subject to the directions of the Board of Directors, shall have general charge of the business operations of the Corporation and general supervision over its employees and agents. He shall have the exclusive management of the business of the Corporation and of all of its dealings, but at all times subject to the control of the Board of Directors. Subject to the approval of the Board of Directors or the executive committee, he shall employ all employees of the Corporation, or delegate such employment to subordinate officers, or such division officers, or such division chiefs, and shall have authority to discharge any person so employed. He shall make a quarterly report to the President and directors, or more often if required to do so, setting forth the result of the operations under his charge, together with suggestions looking to the improvement and betterment of the condition of the Corporation, and to perform such other duties as the Board of Directors shall require.

Section 4.11 Other Officers. Other officers shall perform such duties and have such powers as may be assigned to them by the Board of Directors.

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Section 4.12 Salaries. The salaries or other compensation of the officers of the Corporation shall be fixed from time to time by the Board of Directors except that the Board of Directors may delegate to any person or group of persons the power to fix the salaries or other compensation of any subordinate officers or agents. No officer shall be prevented from receiving any such salary or compensation by reason of the fact that he is also a director of the Corporation.

Section 4.13 Surety Bonds. In case the Board of Directors shall so require, any officer or agent of the Corporation shall execute to the Corporation a bond in such sums and with sureties as the Board of Directors may direct, conditioned upon the faithful performance of his duties to the Corporation, including responsibility for negligence and for the accounting for all property, monies or securities of the Corporation which may come into his hands.

## ARTICLE V COMMITTEES

Section 5.1 Executive Committee. The Board of Directors may appoint from among its members an Executive Committee of not less than two (2) nor more than five (5) members, one of whom shall be the President, and shall designate one or more of its members as alternates to serve as a member or members of the Executive Committee in the absence of a regular member or members. The Board of Directors reserves to itself alone the power to declare dividends, issue stock, recommend to shareholders any action requiring their approval, change the membership of any committee at any time, fill vacancies therein, and discharge any committee either with or without cause at any time. Subject to the foregoing limitations, the Executive Committee shall possess and exercise all other powers of the Board of Directors during the intervals between meetings.

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Section 5.2 Other Committees. The Board of Directors may also appoint from among its own members such other committees as the Board may determine,



which shall in each case consist of not less than two directors, and which shall have such powers and duties as shall from time to time be prescribed by the Board. The President shall be a member ex officio of each committee appointed by the Board of Directors. A majority of the members of any committee may fix its rules of procedure.

## ARTICLE VI CONTRACTS, LOANS, DEPOSITS AND CHECKS

Section 6.1 Contracts. The Board of Directors may authorize any officer or officers, agent or agents, to enter into any contract or execute and deliver any instrument in the name of and on behalf of the Corporation, and such authority may be general or confined to specific instances.

Section 6.2 Loans. No loan or advances shall be contracted on behalf of the Corporation, no negotiable paper or other evidence of its obligations under any loan or advance shall be issued in its name, and no property of the Corporation shall be mortgaged, pledged, hypothecated or transferred as security for the payment of any loan, advance, indebtedness or liability of the Corporation unless and except as authorized by the Board of Directors. Any such authorization may be general or confined to specific instances.

Section 6.3 Deposits. All funds of the Corporation not otherwise employed shall be deposited from time to time to the credit of the Corporation in such banks, trust companies or other depositories as the Board of Directors may select, or as may be selected by any officer or agent authorized to do so by the Board of Directors.

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Section 6.4 Checks and Drafts. All notes, drafts, acceptances, checks, endorsements and evidences of indebtedness of the Corporation shall be signed by such officer or officers of such agent or agents of the Corporation and in such manner as the Board of Directors from time to time may determine. Endorsements for deposit to the credit of the Corporation in any of its duly authorized depositories shall be made in such manner as the Board of Directors from time to time may determine.

Section 6.5 Bonds and Debentures. Every bond or debenture issued by the Corporation shall be evidenced by an appropriate instrument which shall be signed by the President or a Vice President and by the Treasurer or by the Secretary, and sealed with the seal of the Corporation. The seal may be facsimile, engraved or printed. Where such bond or debenture is authenticated with the manual signature of an authorized officer of the Corporation or other trustee designated by the indenture of trust or other agreement under which such security is issued, the signature of any of the Corporation's officers named thereon may be facsimile. In case of any officer who signed, or whose facsimile signature has been used on any such bond or debenture, shall cease to be an officer of the Corporation for any reason before the same has been delivered by the Corporation, such bond or debenture may nevertheless be adopted by the Corporation and issued and delivered as though the person who signed it or whose facsimile signature has been used thereon had not ceased to be such officer.

## ARTICLE VII CAPITAL STOCK

Section 7.1 Certificate of Shares. The shares of the Corporation shall be represented by certificates prepared by the Board of Directors and signed by the President or the Vice President, and by the Secretary, or an Assistant Secretary, or the Treasurer, and sealed with the seal of the Corporation or a facsimile. The signatures of such officers upon a certificate may be facsimiles if the

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certificate is countersigned by a transfer agent or registered by a registrar other than the Corporation itself or one of its employees. All certificates for shares shall be consecutively numbered or otherwise identified. The name and address of the person to whom the shares represented thereby are issued, with the number of shares and date of issue, shall be entered on the stock transfer books of the Corporation. All certificates surrendered to the Corporation for transfer shall be cancelled and no new certificate shall be issued until the former certificate for a like number of shares shall have been surrendered and

cancelled, except that in case of a lost, destroyed or mutilated certificate a new one may be issued therefor upon such terms and indemnity to the Corporation as the Board of Directors may prescribe.

Section 7.2 Transfer of Shares. Transfer of shares of the Corporation shall be made only on the stock transfer books of the Corporation by the holder of record thereof or by his legal representative, who shall furnish proper evidence of authority to transfer, or by his attorney thereunto authorized by power of attorney duly executed and filed with the Secretary of the Corporation, and on surrender for cancellation of the certificate for such shares. The person in whose name shares stand on the books of the Corporation shall be deemed by the Corporation to be the owner thereof for all purposes.

Section 7.3 Transfer Agent and Registrar. The Board of Directors shall have power to appoint one or more transfer agents and registrars for the transfer and registration of certificates of stock of any class, and may require that stock certificates shall be countersigned and registered by one or more of such transfer agents and registrars.

Section 7.4 Lost or Destroyed Certificates. The Corporation may issue a new certificate to replace any certificate theretofore issued by it alleged to have been lost or destroyed. The Board of

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Directors may require the owner of such a certificate or his legal representatives to give the Corporation a bond in such sum and with such sureties as the Board of Directors may direct to indemnify the Corporation and its transfer agents and registrars, if any, against claims that may be made on account of the issuance of such new certificates. A new certificate may be issued without requiring any bond.

Section 7.5 Consideration for Shares. The capital stock of the Corporation shall be issued for such consideration, but not less than the par value thereof, as shall be fixed from time to time by the Board of Directors. In the absence of fraud, the determination of the Board of Directors as to the value of any property or services received in full or partial payment of shares shall be conclusive.

Section 7.6 Registered Shareholders. The Corporation shall be entitled to treat the holder of record of any share or shares of stock as the holder thereof in fact, and shall not be bound to recognize any equitable or other claim to or on behalf of the Corporation, any and all of the rights and powers incident to the ownership of such stock at any such meeting, and shall have power and authority to execute and deliver proxies and consents on behalf of the Corporation in connection with the exercise by the Corporation of the rights and powers incident to the ownership of such stock. The Board of Directors, from time to time may confer like powers upon any other person or persons.

## ARTICLE VIII INDEMNIFICATION

Section 8.1 Indemnification. No officer or director shall be personally liable for any obligations arising out of any acts or conduct of said officer or director performed for or on behalf of the Corporation. The Corporation shall and does hereby indemnify and hold harmless each person and his heirs and administrators who shall serve at any time hereafter as a director or officer of the

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Corporation from and against any and all claims, judgments and liabilities to which such persons shall become subject by reason of any action alleged to have been heretofore or hereafter taken or omitted to have been taken by him as such director or officer, and shall reimburse each such person for all legal and other expenses reasonably incurred by him in connection with any such claim or liability; including power to defend such person from all suits as provided, however, that no such person shall be indemnified against, or be reimbursed for, any expense incurred in connection with any claim or liability arising out of his own negligence or willful misconduct. The rights accruing to any person under the foregoing provisions of this section shall not exclude any other rights to which he may lawfully be entitled, nor shall anything herein contained restrict the right of the Corporation to indemnify or reimburse such person in

any proper case, even though not specifically herein provided for. The Corporation, its directors, officers, employees and agents shall be fully protected in taking any action or making any payment or in refusing so to do in reliance upon the advice of counsel.

Section 8.2 Other Indemnification. The indemnification herein provided shall not be deemed exclusive of any other rights to which those seeking indemnification may be entitled under any bylaw, agreement, vote of shareholders or disinterested directors, or otherwise, both as to action in his official capacity and as to action in another capacity while holding such office, and shall continue as to a person who has ceased to be a director, officer or employee and shall inure to the benefit of the heirs, executors and administrators of such a person.

Section 8.3 Insurance. The Corporation may purchase and maintain insurance on behalf of any person who is or was a director, officer or employee of the Corporation, or is or was serving at the request of another corporation, partnership, joint venture, trust or other enterprise against any liability asserted against him and incurred by him in any liability in any capacity, or arising out of his

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status as such, whether or not the Corporation would have the power to indemnify him against liability under the provisions of this Article 8 or the laws of the State of Nevada.

Section 8.4 Settlement by Corporation. The right of any person to be indemnified shall be subject always to the right of the Corporation by its Board of Directors, in lieu of such indemnity, to settle any such claim, action, suit or proceeding at the expense of the Corporation by the payment of the amount of such settlement and the costs and expenses incurred in connection therewith.

#### ARTICLE IX AMENDMENTS

These Bylaws may be altered, amended, repealed, or added to by the affirmative vote of the holders of a majority of the shares entitled to vote in the election of any director at an annual meeting or at a special meeting called for that purpose, provided that a written notice shall have been sent to each shareholder of record entitled to vote at such meetings at least ten (10) days before the date of such annual or special meetings, which notice shall state the alterations, amendments, additions, or changes which are proposed to be made in such Bylaws. Only such changes shall be made as have been specified in the notice. The Bylaws may also be altered, amended, repealed, or new Bylaws adopted by a majority of the entire Board of Directors at any regular or special meeting. Any Bylaws adopted by the Board may be altered, amended, or repealed by a majority of the shareholders entitled to vote.

#### ARTICLE X FISCAL YEAR

The fiscal year of the Corporation shall be December 31 and may be varied by resolution of the Board of Directors.

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#### ARTICLE XI DIVIDENDS

The Board of Directors may at any regular or special meeting, as they deem advisable, declare dividends payable out of the unreserved and unrestricted earned surplus of the Corporation, such declaration shall be made in accord with Nevada Revised Statutes Section 78.288 thru 78.300.

#### ARTICLE XII CORPORATE SEAL

The corporate seal may be used by causing it or a facsimile thereof to be impressed affixed or reproduced or otherwise.

IN WITNESS WHEREOF, these bylaws have been duly adopted by resolution of the Board of Directors this 2nd day of May, 2003.

The Flooring Zone, Inc.

/s/ Jimmy Lee

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Jimmy Lee, President

THE FLOORING ZONE, INC.  
2003 Stock Incentive Plan

Section 1. Purpose; Definitions.

1.1 Purpose. The purpose of The Flooring Zone, Inc., (the "Company") 2003 Stock Incentive Plan (the "Plan") is to enable the Company to offer to its key employees, officers, directors, consultants, advisors and sales representatives whose past, present and/or potential contributions to the Company and its Subsidiaries have been, are or will be important to the success of the Company, an opportunity to acquire a proprietary interest in the Company. The various types of long-term incentive awards which may be provided under the Plan will enable the Company to respond to changes in compensation practices, tax laws, accounting regulations and the size and diversity of its business.

1.2 Definitions. For purposes of the Plan, the following terms shall be defined as set forth below:

(a) "Agreement" means the agreement between the Company and the Holder setting forth the terms and conditions of an award under the Plan.

(b) "Board" means the Board of Directors of the Company.

(c) "Code" means the Internal Revenue Code of 1986, as amended from time to time, and any successor thereto and the regulations promulgated thereunder.

(d) "Committee" means the Stock Option Committee of the Board or any other committee of the Board, which the Board may designate to administer the Plan or any portion thereof. If no Committee is so designated, then all references in this Plan to "Committee" shall mean the Board.

(e) "Common Stock" means the Common Stock of the Company, par value \$.001 per share.

(f) "Company" means The Flooring Zone, Inc., a corporation organized under the laws of the State of Nevada.

(g) "Deferred Stock" means Stock to be received, under an award made pursuant to Section 9, below, at the end of a specified deferral period.

(h) "Disability" means disability as determined under procedures established by the Committee for purposes of the Plan.

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(i) "Effective Date" means the date set forth in Section 13.1, below.

(j) "Employee" means any employee, director, general partner, trustee (where the registrant is a business trust), officer or consultant or advisor.

(k) "Fair Market Value", unless otherwise required by any applicable provision of the Code or any regulations issued thereunder, means, as of any given date: (i) if the Common Stock is listed on a national securities exchange or quoted on the Nasdaq National Market or Nasdaq SmallCap Market, the last sale price of the Common Stock in the principal trading market for the Common Stock on the last trading day preceding the date of grant of an award hereunder, as reported by the exchange or Nasdaq, as the case may be; (ii) if the Common Stock is not listed on a national securities exchange or quoted on the Nasdaq National Market or Nasdaq SmallCap Market, but is traded in the over-the-counter market, the closing bid price for the Common Stock on the last trading day preceding the date of grant of an award hereunder for which such quotations are reported by the OTC Bulletin Board or the National Quotation Bureau, Incorporated or similar publisher of such quotations; and (iii) if the fair market value of the Common Stock cannot be determined pursuant to clause (i) or (ii) above, such price as the Committee shall determine, in good faith.

(l) "Holder" means a person who has received an award under the Plan.

(m) "Incentive Stock Option" means any Stock Option intended to be and designated as an "incentive stock option" within the meaning of Section 422 of the Code.

(n) "Nonqualified Stock Option" means any Stock Option that is not an Incentive Stock Option.

(o) "Normal Retirement" means retirement from active employment with the Company or any Subsidiary on or after age 65.

(p) "Other Stock-Based Award" means an award under Section 10, below, that is valued in whole or in part by reference to, or is otherwise based upon, Stock.

(q) "Parent" means any present or future parent corporation of the Company, as such term is defined in Section 424(e) of the Code.

(r) "Plan" means The Flooring Zone, Inc., 2003 Stock Incentive Plan, as hereinafter amended from time to time.

(s) "Restricted Stock" means Stock, received under an award made pursuant to Section 8, below, that is subject to restrictions under said Section 8.

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(t) "SAR Value" means the excess of the Fair Market Value (on the exercise date) of the number of shares for which the Stock Appreciation Right is exercised over the exercise price that the participant would have otherwise had to pay to exercise the related Stock Option and purchase the relevant shares.

(u) "Stock" means the Common Stock of the Company, par value \$.001 per share.

(v) "Stock Appreciation Right" means the right to receive from the Company, on surrender of all or part of the related Stock Option, without a cash payment to the Company, a number of shares of Common Stock equal to the SAR Value divided by the exercise price of the Stock Option.

(w) "Stock Option" or "Option" means any option to purchase shares of Stock which is granted pursuant to the Plan.

(x) "Stock Reload Option" means any option granted under Section 6.3, below, as a result of the payment of the exercise price of a Stock Option and/or the withholding tax related thereto in the form of Stock owned by the Holder or the withholding of Stock by the Company.

(y) "Subsidiary" means any present or future subsidiary corporation of the Company, as such term is defined in Section 424(f) of the Code.

## Section 2. Administration.

2.1 Committee Membership. The Plan shall be administered by the Board or a Committee. Committee members shall serve for such terms as the Board may in each case determine, and shall be subject to removal at any time by the Board.

2.2 Powers of Committee. The Committee shall have full authority, subject to Section 4, below, to award, pursuant to the terms of the Plan: (i) Stock Options, (ii) Stock Appreciation Rights, (iii) Restricted Stock, (iv) Deferred Stock, (v) Stock Reload Options and/or (vi) Other Stock-Based Awards. For purposes of illustration and not of limitation, the Committee shall have the authority (subject to the express provisions of this Plan):

(a) to select the officers, key employees, directors, consultants, advisors and sales representatives of the Company or any Subsidiary to whom Stock Options, Stock Appreciation Rights, Restricted Stock, Deferred Stock, Reload Stock Options and/or Other Stock-Based Awards may from time to time be awarded hereunder.

(b) to determine the terms and conditions, not inconsistent with the terms of the Plan, of any award granted hereunder (including, but not limited to, number of shares, share

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price, any restrictions or limitations, and any vesting, exchange, surrender, cancellation, acceleration, termination, exercise or forfeiture provisions, as the Committee shall determine);

(c) to determine any specified performance goals or such other factors or criteria which need to be attained for the vesting of an award granted hereunder;

(d) to determine the terms and conditions under which awards granted hereunder are to operate on a tandem basis and/or in conjunction with or apart from other equity awarded under this Plan and cash awards made by the Company or any Subsidiary outside of this Plan;

(e) to permit a Holder to elect to defer a payment under the Plan under such rules and procedures as the Committee may establish, including the crediting of interest on deferred amounts denominated in cash and of dividend equivalents on deferred amounts denominated in Stock;

(f) to determine the extent and circumstances under which Stock and other amounts payable with respect to an award hereunder shall be deferred which may be either automatic or at the election of the Holder; and

(g) to substitute (i) new Stock Options for previously granted Stock Options, which previously granted Stock Options have higher option exercise prices and/or contain other less favorable terms, and (ii) new awards of any other type for previously granted awards of the same type, which previously granted awards are upon less favorable terms.

### 2.3 Interpretation of Plan.

(a) Committee Authority. Subject to Section 4 and 12, below, the Committee shall have the authority to adopt, alter and repeal such administrative rules, guidelines and practices governing the Plan as it shall, from time to time, deem advisable, to interpret the terms and provisions of the Plan and any award issued under the Plan (and to determine the form and substance of all Agreements relating thereto), to otherwise supervise the administration of the Plan. Subject to Section 12, below, all decisions made by the Committee pursuant to the provisions of the Plan shall be made in the Committee's sole discretion and shall be final and binding upon all persons, including the Company, its Subsidiaries and Holders.

(b) Incentive Stock Options. Anything in the Plan to the contrary notwithstanding, no term or provision of the Plan relating to Incentive Stock Options (including but limited to Stock Reload Options or Stock Appreciation rights granted in conjunction with an Incentive Stock Option) or any Agreement providing for Incentive Stock Options shall be interpreted, amended or altered, nor shall any discretion or authority granted under the Plan be so exercised, so as to disqualify the Plan under Section 422 of the Code, or, without the consent of the Holder(s) affected, to disqualify any Incentive Stock Option under such Section 422.

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### Section 3. Stock Subject to Plan.

3.1 Number of Shares. The total number of shares of Common Stock reserved and available for distribution under the Plan shall be 500,000 shares. Shares of Stock under the Plan may consist, in whole or in part, of authorized and unissued shares or treasury shares. If any shares of Stock that have been granted pursuant to a Stock Option cease to be subject to a Stock Option, or if any shares of Stock that are subject to any Stock Appreciation Right, Restricted Stock, Deferred Stock award, Reload Stock Option or Other Stock-Based Award granted hereunder are forfeited or any such award otherwise terminates without a payment being made to the Holder in the form of Stock, such shares shall again be available for distribution in connection with future grants and awards under the Plan. Only net shares issued upon a stock-for-stock exercise (including

stock used for withholding taxes) shall be counted against the number of shares available under the Plan.

3.2 Adjustment Upon Changes in Capitalization, Etc. In the event of any merger, reorganization, consolidation, recapitalization, dividend (other than a cash dividend), stock split, reverse stock split, or other change in corporate structure affecting the Stock, such substitution or adjustment shall be made in the aggregate number of shares reserved for issuance under the Plan, in the number and exercise price of shares subject to outstanding Options, in the number of shares and Stock Appreciation Right price relating to Stock Appreciation Rights, and in the number of shares and Stock Appreciation Right price relating to Stock Appreciation Rights, and in the number of shares subject to, and in the related terms of, other outstanding awards (including but not limited to awards of Restricted Stock, Deferred Stock, Reload Stock Options and Other Stock-Based Awards) granted under the Plan as may be determined to be appropriate by the Committee in order to prevent dilution or enlargement of rights, provided that the number of shares subject to any award shall always be a whole number.

#### Section 4. Eligibility.

Awards may be made or granted to key employees, officers, directors, consultants, advisors and sales representatives who are deemed to have rendered or to be able to render significant services to the Company or its Subsidiaries and who are deemed to have contributed or to have the potential to contribute to the success of the Company. No Incentive Stock Option shall be granted to any person who is not an employee of the Company or a Subsidiary at the time of grant.

#### Section 5. Required Six-Month Holding Period.

Any equity security issued under this Plan may not be sold prior to six months from the date of the grant of the related award without the approval of the Company.

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#### Section 6. Stock Options.

6.1 Grant and Exercise. Stock Options granted under the Plan may be of two types: (i) Incentive Stock Options and (ii) Nonqualified Stock Options. Any Stock Option granted under the Plan shall contain such terms, not inconsistent with this Plan, or with respect to Incentive Stock Options, not inconsistent with the Code, as the Committee may from time to time approve. The Committee shall have the authority to grant Incentive Stock Options, Non- Qualified Stock Options, or both types of Stock Options and which may be granted alone or in addition to other awards granted under the Plan. To the extent that any Stock Option intended to qualify as an Incentive Stock Option does not so qualify, it shall constitute a separate Nonqualified Stock Option. An Incentive Stock Option may be granted only within the ten-year period commencing from the Effective Date and may only be exercised within ten years of the date of grant or five years in the case of an Incentive Stock Option granted to an optionee ("10% Stockholder") who, at the time of grant, owns Stock possessing more than 10% of the total combined voting power of all classes of stock of the Company.

6.2 Terms and Conditions. Stock Options granted under the Plan shall be subject to the following terms and conditions:

(a) Exercise Price. The exercise price per share of Stock purchasable under an Incentive Stock Option shall be determined by the Committee at the time of grant and may not be less than 100% of the Fair Market Value of the Stock as defined above; provided, however, that the exercise price of an Incentive Stock Option granted to a 10% Stockholder shall not be less than 110% of the Fair Market Value of the Stock. The exercise price per share of Stock purchasable under any options granted that are not Incentive Stock Option, shall be determined by the Committee at the time of grant.

(b) Option Term. Subject to the limitations in Section 6.1, above, the term of each Stock Option shall be fixed by the Committee.

(c) Exercisability. Stock Options shall be exercisable at such time or times and subject to such terms and conditions as shall be determined by the Committee and as set forth in Section 11, below. If the Committee provides,



in its discretion, that any Stock Option is exercisable only in installments, i.e., that it vests over time, the Committee may waive such installment exercise provisions at any time at or after the time of grant in whole or in part, based upon such factors as the Committee shall determine.

(d) Method of Exercise. Subject to whatever installment, exercise and waiting period provisions are applicable in a particular case, Stock Options may be exercised in whole or in part at any time during the term of the Option, by giving written notice of exercise to the Company specifying the number of shares of Stock to be purchased. Such notice shall be accompanied by payment in full of the purchase price, which shall be in cash or, unless otherwise provided in the Agreement, in shares of Stock (including Restricted Stock and other contingent

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awards under this Plan) or, partly in cash and partly in such Stock, or such other means which the Committee determines are consistent with the Plan's purpose and applicable law. Cash payments shall be made by wire transfer, certified or bank check or personal check, in each case payable to the order of the Company; provided, however, that the Company shall not be required to deliver certificates for shares of Stock with respect to which an Option is exercised until the Company has confirmed the receipt of good and available funds in payment of the purchase price thereof. Payments in the form of Stock shall be valued at the Fair Market Value of a share of Stock on the day prior to the date of exercise. Such payments shall be made by delivery of stock certificates in negotiable form which are effective to transfer good and valid title thereto to the Company, free of any liens or encumbrances. Subject to the terms of the Agreement, the Committee may, in its sole discretion, at the request of the Holder, deliver upon the exercise of a Nonqualified Stock Option a combination of shares of Deferred Stock and Common Stock; provided that, notwithstanding the provision of Section 9 of the Plan, such Deferred Stock shall be fully vested and not subject to forfeiture. A Holder shall have none of the rights of a stockholder with respect to the shares subject to the Option until such shares shall be transferred to the Holder upon the exercise of the Option.

(e) Transferability. Unless otherwise determined by the Committee, no Stock Option shall be transferable by the Holder other than by will or by the laws of descent and distribution, and all Stock Options shall be exercisable, during the Holder's lifetime, only by the Holder.

(f) Termination by Reason of Death. If a Holder's employment by the Company or a Subsidiary terminates by reason of death, any Stock Option held by such Holder, unless otherwise determined by the Committee at the time of grant and set forth in the Agreement, shall be fully vested and may thereafter be exercised by the legal representative of the estate or by the legatee of the Holder under the will of the Holder, for a period of one year (or such other greater or lesser period as the Committee may specify at grant) from the date of such death or until the expiration of the stated term of such Stock Option, whichever period is the shorter.

(g) Termination by Reason of Disability. If a Holder's employment by the Company or any Subsidiary terminates by reason of Disability, any Stock Option held by such Holder, unless otherwise determined by the Committee at the time of grant and set forth in the Agreement, shall be fully vested and may thereafter be exercised by the Holder for a period of one year (or such other greater or lesser period as the Committee may specify at the time of grant) from the date of such termination of employment or until the expiration of the stated term of such Stock Option, whichever period is the shorter.

(h) Other Termination. Subject to the provisions of Section 14.3, below, and unless otherwise determined by the Committee at the time of grant and set forth in the Agreement, if a Holder is an employee of the Company or a Subsidiary at the time of grant and if such Holder's employment by the Company or any Subsidiary terminates for any reason other than

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death or Disability, the Stock Option shall thereupon automatically terminate, except that if the Holder's employment is terminated by the Company or a Subsidiary without cause or due to Normal Retirement, then the portion of such

Stock Option which has vested on the date of termination of employment may be exercised for the lesser of three months after termination of employment or the balance of such Stock Option's term.

(i) Additional Incentive Stock Option Limitation. In the case of an Incentive Stock Option, the aggregate Fair Market Value of Stock (determined at the time of grant of the Option) with respect to which Incentive Stock Options become exercisable by a Holder during any calendar year (under all such plans of the Company and its Parent and Subsidiary) shall not exceed \$100,000.

(j) Buyout and Settlement Provisions. The Committee may at any time, in its sole discretion, offer to buy out a Stock Option previously granted, based upon such terms and conditions as the Committee shall establish and communicate to the Holder at the time that such offer is made.

(k) Stock Option Agreement. Each grant of a Stock Option shall be confirmed by and shall be subject to the terms of, the Agreement executed by the Company and the Holder.

6.3 Stock Reload Option. The Committee may also grant to the Holder (concurrently with the grant of an Incentive Stock Option and at or after the time of grant in the case of a Nonqualified Stock Option) a Stock Reload Option up to the amount of shares of Stock held by the Holder for at least six months and used to pay all or part of the exercise price of an Option and, if any, withheld by the Company as payment for withholding taxes. Such Stock Reload Option shall have an exercise price equal to the Fair Market Value as of the date of the Stock Reload Option grant. Unless the Committee determines otherwise, a Stock Reload Option may be exercised commencing one year after it is granted and shall expire on the date of expiration of the Option to which the Reload Option is related.

## Section 7. Stock Appreciation Rights.

7.1 Grant and Exercise. The Committee may grant Stock Appreciation Rights to participants who have been, or are being granted, Options under the Plan as a means of allowing such participants to exercise their Options without the need to pay the exercise price in cash. In the case of a Nonqualified Stock Option, a Stock Appreciation Right may be granted either at or after the time of the grant of such Nonqualified Stock Option. In the case of an Incentive Stock Option, a Stock Appreciation Right may be granted only at the time of the grant of such Incentive Stock Option.

7.2 Terms and Conditions. Stock Appreciation Rights shall be subject to the following terms and conditions:

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(a) Exercisability. Stock Appreciation Rights shall be exercisable as determined by the Committee and set forth in the Agreement, subject to the limitations, if any, imposed by the Code, with respect to related Incentive Stock Options.

(b) Termination. A Stock Appreciation Right shall terminate and shall no longer be exercisable upon the termination or exercise of the related Stock Option.

(c) Method of Exercise. Stock Appreciation Rights shall be exercisable upon such terms and conditions as shall be determined by the Committee and set forth in the Agreement and by surrendering the applicable portion of the related Stock Option. Upon such exercise and surrender, the Holder shall be entitled to receive a number of Option Shares equal to the SAR Value divided by the exercise price of the Option.

(d) Shares Affected Upon Plan. The granting of a Stock Appreciation Rights shall not affect the number of shares of Stock available under for awards under the Plan. The number of shares available for awards under the Plan will, however, be reduced by the number of shares of Stock acquirable upon exercise of the Stock Option to which such Stock Appreciation right relates.

## Section 8. Restricted Stock.

8.1 Grant. Shares of Restricted Stock may be awarded either alone or in addition to other awards granted under the Plan. The Committee shall determine the eligible persons to whom, and the time or times at which, grants of Restricted Stock will be awarded, the number of shares to be awarded, the price (if any) to be paid by the Holder, the time or times within which such awards may be subject to forfeiture (the "Restriction Period"), the vesting schedule and rights to acceleration thereof, and all other terms and conditions of the awards.

8.2 Terms and Conditions. Each Restricted Stock award shall be subject to the following terms and conditions:

(a) Certificates. Restricted Stock, when issued, will be represented by a stock certificate or certificates registered in the name of the Holder to whom such Restricted Stock shall have been awarded. During the Restriction Period, certificates representing the Restricted Stock and any securities constituting Retained Distributions (as defined below) shall bear a legend to the effect that ownership of the Restricted Stock (and such Retained Distributions), and the enjoyment of all rights appurtenant thereto, are subject to the restrictions, terms and conditions provided in the Plan and the Agreement. Such certificates shall be deposited by the Holder with the Company, together with stock powers or other instruments of assignment, each endorsed in blank, which will permit transfer to the Company of all or any portion of the Restricted Stock and any securities constituting Retained Distributions that shall be forfeited or that shall not become vested in accordance with the Plan and the Agreement.

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(b) Rights of Holder. Restricted Stock shall constitute issued and outstanding shares of Common Stock for all corporate purposes. The Holder will have the right to vote such Restricted Stock, to receive and retain all regular cash dividends and other cash equivalent distributions as the Board may in its sole discretion designate, pay or distribute on such Restricted Stock and to exercise all other rights, powers and privileges of a holder of Common Stock with respect to such Restricted Stock, with the exceptions that (i) the Holder will not be entitled to delivery of the stock certificate or certificates representing such Restricted Stock until the Restriction Period shall have expired and unless all other vest requirements with respect thereto shall have been fulfilled; (ii) the Company will retain custody of the stock certificate or certificates representing the Restricted Stock during the Restriction Period; (iii) other than regular cash dividends and other cash equivalent distributions as the Board may in its sole discretion designate, pay or distribute, the Company will retain custody of all distributions ("Retained Distributions") made or declared with respect to the Restricted Stock (and such Retained Distributions will be subject to the same restrictions, terms and conditions as are applicable to the restricted Stock) until such time, if ever, as the Restricted Stock with respect to which such Retained Distributions shall have been made, paid or declared shall have become vested and with respect to which the Restriction Period shall have expired; (iv) a breach of any of the restrictions, terms or conditions contained in this Plan or the Agreement or otherwise established by the Committee with respect to any Restricted Stock or Retained Distributions will cause a forfeiture of such Restricted Stock and any Retained Distributions with respect thereto.

(c) Vesting; Forfeiture. Upon the expiration of the Restriction Period with respect to each award of Restricted Stock and the satisfaction of any other applicable restrictions, terms and conditions (i) all or part of such Restricted Stock shall become vested in accordance with the terms of the Agreement, subject to Section 11, below, and (ii) any Retained Distributions with respect to such Restricted Stock shall become vested to the extent that the Restricted Stock related thereto shall have become vested, subject to Section 11, below. Any such Restricted Stock and Retained Distributions that do not vest shall be forfeited to the Company and the Holder shall not thereafter have any rights with respect to such Restricted Stock and Retained Distributions that shall have been so forfeited.

## Section 9. Deferred Stock.

9.1 Grant. Shares of Deferred Stock may be awarded either alone or in addition to other awards granted under the Plan. The Committee shall determine the eligible persons to whom and the time or times at which grants of Deferred Stock shall be awarded, the number of shares of Deferred Stock to be awarded to

any person, the duration of the period (the "Deferral Period") during which, and the conditions under which, receipt of the shares will be deferred, and all the other terms and conditions of the awards.

9.2 Terms and Conditions. Each Deferred Stock award shall be subject to the following terms and conditions:

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(a) Certificates. At the expiration of the Deferral Period (or the Additional Deferral Period referred to in Section 9.2 (d) below, where applicable), shares certificates shall be issued and delivered to the Holder, or his legal representative, representing the number equal to the shares covered by the Deferred Stock award.

(b) Rights of Holder. A person entitled to receive Deferred Stock shall not have any rights of a stockholder by virtue of such award until the expiration of the applicable Deferral Period and the issuance and delivery of the certificates representing such Stock. The shares of Stock issuable upon expiration of the Deferral Period shall not be deemed outstanding by the Company until the expiration of such Deferral Period and the issuance and delivery of such Stock to the Holder.

(c) Vesting; Forfeiture. Upon the expiration of the Deferral Period with respect to each award of Deferred Stock and the satisfaction of any other applicable restrictions, terms and conditions all or part of such Deferred Stock shall become vested in accordance with the terms of the Agreement, subject to Section 11, below. Any such Deferred Stock that does not vest shall be forfeited to the Company and the Holder shall not thereafter have any rights with respect to such Deferred Stock.

(d) Additional Deferral Period. A Holder may request to, and the Committee may at any time, defer the receipt of an award (or an installment of an award) for an additional specified period or until a specified event (the "Additional Deferral Period"). Subject to any exceptions adopted by the Committee, such request must generally be made at least one year prior to expiration of the Deferral Period for such Deferred Stock awards (or such installment).

#### Section 10. Other Stock-Based Awards.

10.1 Grant and Exercise. Other Stock-Based Awards may be awarded, subject to limitations under applicable law, that are denominated or payable, in value in whole or in part by reference to, or otherwise based on, or related to, shares of Common Stock, as deemed by the Committee to be consistent with the purposes of the Plan, including, without limitation, purchase rights, shares of Common Stock awarded which are not subject to any restrictions or conditions, convertible or exchangeable debentures, or other rights convertible into shares of Common Stock and awards valued by reference to the value of securities of or the performance of specified subsidiaries. Other Stock-Based Awards may be awarded either alone or in addition to or in tandem with any other awards under this Plan or any other plan of the Company.

10.2 Eligibility for Other Stock-Based Awards. The Committee shall determine the eligible persons to whom and the time or times at which grants of such other stock-based awards shall be made, the number of shares of Common Stock to be awarded pursuant to such awards, and all other terms and conditions of the awards.

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10.3 Terms and Conditions. Each Other Stock-Based Award shall be subject to such terms and conditions as may be determined by the Committee and to Section 11, below.

#### Section 11. Accelerated Vesting and Exercisability.

If (i) any person or entity other than the Company and/or any stockholders of the Company as of the Effective Date acquire securities of the Company (in one or more transactions) having 25% or more of the total voting power of all the Company's securities then outstanding and (ii) the Board of Directors of the Company does not authorize or otherwise approve such acquisition, then, the vesting periods of any and all Options and other awards

granted and outstanding under the Plan shall be accelerated and all such Options and awards will immediately and entirely vest, and the respective holders thereof will have the immediate right to purchase and/or receive any and all Stock subject to such Options and awards on the terms set forth in this Plan and the respective agreements respecting such Options and awards.

#### Section 12. Amendment and Termination.

Subject to Section 4 hereof, the Board may at any time, and from time to time, amend, alter, suspend or discontinue any of the provisions of the Plan, but no amendment, alteration, suspension or discontinuance shall be made which would impair the rights of a Holder under any Agreement theretofore entered into hereunder, without the Holder's consent.

#### Section 13. Term of Plan.

13.1 Effective Date. The Plan shall be effective as of May 13, 2003. ("Effective Date").

13.2 Termination Date. Unless terminated by the Board, this Plan shall continue to remain effective until such time no further awards may be granted and all awards granted under the Plan are no longer outstanding. Notwithstanding the foregoing, grants of Incentive Stock Options may only be made during the ten-year period following the Effective Date.

#### Section 14. General Provisions.

14.1 Written Agreements. Each award granted under the Plan shall be confirmed by, and shall be subject to the terms of the Agreement executed by the Company and the Holder. The Committee may terminate any award made under the Plan if the Agreement relating thereto is not executed and returned to the Company within 10 days after the Agreement has been delivered to the Holder for his or her execution.

14.2 Unfunded Status of Plan. The Plan is intended to constitute an "unfunded" plan for incentive and deferred compensation. With respect to any payments not yet made to a Holder by the Company, nothing contained herein shall give any such Holder any rights that are greater than those of a general creditor of the Company.

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#### 14.3 Employees.

(a) Engaging in Competition With the Company. In the event a Holder's employment with the Company or a Subsidiary is terminated for any reason whatsoever, and within one year after the date thereof such Holder accepts employment with any competitor of, or otherwise engages in competition with, the Company, the Committee, in its sole discretion, may require such Holder to return to the Company the economic value of any award which was realized or obtained by such Holder at any time during the period beginning on that date which is six months prior to the date of such Holder's termination of employment with the Company.

(b) Termination for Cause. The Committee may, in the event a Holder's employment with the company or a Subsidiary is terminated for cause, annul any award granted under this Plan to return to the Company the economic value of any award which was realized or obtained by such Holder at any time during the period beginning on that date which is six months prior to the date of such Holder's termination of employment with the Company.

(c) No Right of Employment. Nothing contained in the Plan or in any award hereunder shall be deemed to confer upon any Holder who is an employee of the Company or any Subsidiary any right to continued employment with the Company or any Subsidiary, nor shall it interfere in any way with the right of the Company or any Subsidiary to terminate the employment of any Holder who is an employee at any time.

14.4 Investment Representations. The Committee may require each person acquiring shares of Stock pursuant to a Stock Option or other award under the Plan to represent to and agree with the Company in writing that the Holder is acquiring the shares for investment without a view to distribution thereof.

14.5 Additional Incentive Arrangements. Nothing contained in the Plan shall prevent the Board from adopting such other or additional incentive arrangements as it may deem desirable, including, but not limited to, the granting of Stock Options and the awarding of stock and cash otherwise than under the Plan; and such arrangements may be either generally applicable or applicable only in specific cases.

14.6 Withholding Taxes. Not later than the date as of which an amount must first be included in the gross income of the Holder for Federal income tax purposes with respect to any option or other award under the Plan, the Holder shall pay to the Company, or made arrangements satisfactory to the Committee regarding the payment of, any Federal, state and local taxes of any kind required by law to be withheld or paid with respect to such amount. If permitted by the Committee, tax withholding or payment obligations may be settled with Common Stock, including Common Stock that is part of the award that gives rise to the withholding requirement. The obligations of the Company under the Plan shall be conditioned upon such payment or arrangements and the Company or the Holder's employer (if not the

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Company) shall, to the extent permitted by law, have the right to deduct any such taxes from any payment of any kind otherwise due to the Holder from the Company or any Subsidiary.

14.7 Governing Law. The Plan and all awards made and actions taken thereunder shall be governed by and construed in accordance with the laws of the State of Nevada (without regard to choice of law provisions).

14.8 Other Benefit Plans. Any award granted under the Plan shall not be deemed compensation for purposes of computing benefits under any retirement plan of the Company or any Subsidiary and shall not affect any benefits under any other benefit plan now or subsequently in effect under which the availability or amount of benefits is related to the level of compensation (unless required by specific reference in any such other plan to awards under this Plan).

14.9 Non-Transferability. Except as otherwise expressly provided in the Plan, no right or benefit under the Plan may be alienated, sold, assigned, hypothecated, pledged, exchanged, transferred, encumbered or charged, and any attempt to alienate, sell, assign, hypothecate, pledge, exchange, transfer, encumber or charge the same shall be void.

14.10 Applicable Laws. The obligations of the Company with respect to all Stock Options and awards under the Plan shall be subject to (i) all applicable laws, rules and regulations and such approvals by any governmental agencies as may be required, including, without limitation, the Securities Act of 1933, as amended, and (ii) the rules and regulations of any securities exchange on which the Stock may be listed.

14.11 Conflicts. If any of the terms or provisions of the Plan or an Agreement (with respect to Incentive Stock Options) conflict with the requirements of Section 422 of the Code, then such terms or provisions shall be deemed inoperative to the extent they so conflict with the requirements of said Section 422 of the Code. Additionally, if this Plan or any Agreement does not contain any provision required to be included herein under Section 422 of the Code, such provision shall be deemed to be incorporated herein and therein with the same force and effect as if such provision had been set out at length herein and therein. If any of the terms or provision of any Agreement conflict with any terms or provision of the Plan, then such terms or provision shall be deemed inoperative to the extent they so conflict with the requirements of the Plan. Additionally, if any Agreement does not contain any provision required to be included therein under the Plan, such provision shall be deemed to be incorporated therein with the same force and effect as if such provision had been set out at length therein.

14.12 Non-Registered Stock. The shares of Stock to be distributed under this Plan have not been, as of the Effective Date, registered under the Securities Act of 1933, as amended, or any applicable state or foreign securities laws and the Company has no obligation to any Holder to register the Stock or to assist the Holder in obtaining an exemption from the various registration requirements, or to list the Stock on a national securities exchange.



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ATTORNEYS AT LAW

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September 21, 2004

Board of Directors  
The Flooring Zone, Inc.  
3219 Glynn Avenue  
Brunswick, Georgia 31520

Re: Opinion and Consent of Counsel with respect to Registration  
Statement on Form SB- 2 for The Flooring Zone, Inc., (the  
"Company").

Gentlemen:

You have requested the opinion and consent of this law firm, as  
counsel, with respect to the proposed issuance and public distribution of  
certain securities of the Company pursuant to the filing of a registration  
statement on Form SB-2 with the Securities and Exchange Commission.

The proposed offering and public distribution relates to up to  
10,000,000 shares of common stock, \$.001 par value (the "Common Stock"), to be  
offered and sold to the public at a price of \$2.00 per share. It is our opinion  
that the shares of Common Stock, when issued in accordance with the terms and  
conditions set forth in the registration statement, will be duly authorized,  
validly issued, fully paid and nonassessable shares of common stock of the  
Company in accordance with the corporation laws of the State of Nevada.

We consent to be named by the Company in the registration statement and  
prospectus included therein. We also consent to the Company filing this legality  
opinion as an exhibit to the registration statement.

Very truly yours,

POULTON & YORDAN

/s/ Richard T. Ludlow

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Richard T. Ludlow  
Attorney at Law



Exhibit 23.01

September 21, 2004

United States Securities and Exchange Commission  
450 5th Street, N.W.  
Washington, D.C. 20549

Re: Consent to be named in the Form SB-2 Registration Statement,  
for the registration of 10,000,000 shares of common stock of  
The Flooring Zone, Inc., a Nevada Corporation (the  
Registrant).

Ladies and Gentlemen:

We hereby consent to the use of our report for the years ended December 31, 2003  
and 2002, dated February 27, 2004, in the above referenced Registration  
Statement. We also consent to the use of our name as experts in such  
Registration Statement.

Sincerely,

/s/ Mantyla McReynolds

Mantyla McReynolds, LLC  
Salt Lake City, Utah

SUBSCRIPTION AGREEMENT

THE FLOORING ZONE, INC.  
(A Nevada corporation)  
3219 Glynn Avenue  
Salt Lake City, Utah 84111

The prospective purchaser who is signing below hereby tenders this Purchase Offer and applies for the purchase of the number of shares of common stock, \$.001 par value, set forth below in The Flooring Zone, Inc. (hereinafter "Flooring Zone"), at a price of \$2.00 per share and encloses a check payable to Flooring Zone, in the amount set forth below for such shares. The prospective purchaser hereby acknowledges receipt of a copy of the Prospectus dated \_\_\_\_\_, 2004.

The prospective purchaser hereby represents and warrants as follows:

(1) He, if a person, is at least 21 years of age and , whether or not a person, has adequate means of providing for his current needs and personal or other contingencies and has no need for liquidity in his investments.

(2) He understands that this purchase offer does not become a purchase agreement unless the check submitted with the purchase offer is promptly paid by the bank upon which it is drawn and until the offer is accepted by a duly authorized officer or agent of Flooring Zone. We may accept or reject any or all of the offer.

(3) He hereby acknowledges and agrees that he is not entitled to cancel, terminate or revoke this purchase offer or any agreements of the prospective purchaser hereunder and that such purchase agreements shall survive death, disability or transfer of control of the prospective purchaser.

Dollar Amount of Purchase Offer: \_\_\_\_\_

Number of Shares of Purchase Offer: \_\_\_\_\_

Special Instructions: \_\_\_\_\_  
\_\_\_\_\_

\_\_\_\_\_  
Name of Prospective Purchaser                      Home Telephone Number

\_\_\_\_\_  
Business Telephone Number

\_\_\_\_\_  
Residence Street Address, if a person, or  
Principal Office Address if a business

\_\_\_\_\_  
City      State      Zip Code                      Mailing Address (if different)

\_\_\_\_\_  
Country

\_\_\_\_\_  
Taxpayer Identification or  
Social Security Number

\_\_\_\_\_  
Signature of Prospective Purchaser

Accepted by The Flooring Zone, Inc.

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Signature of Officer or Agent

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Date