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UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, D.C. 20549

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FORM 10-K

[X] ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(D) OF THE  
SECURITIES EXCHANGE ACT OF 1934 (FEE REQUIRED)

For the fiscal year ended September 30, 1995

OR

[ ] TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(D) OF THE  
SECURITIES EXCHANGE ACT OF 1934 (NO FEE REQUIRED)

For the transition period from to

COMMISSION FILE NUMBER: 1-4219

ZAPATA CORPORATION  
(EXACT NAME OF REGISTRANT AS SPECIFIED IN ITS CHARTER)

STATE OF DELAWARE (STATE OR OTHER JURISDICTION OF INCORPORATION OR ORGANIZATION)	C-74-1339132 (I.R.S. EMPLOYER IDENTIFICATION NO.)
1717 ST. JAMES PLACE, SUITE 550 HOUSTON, TEXAS	77056 (ZIP CODE)
(ADDRESS OF PRINCIPAL EXECUTIVE OFFICES)	

REGISTRANT'S TELEPHONE NUMBER, INCLUDING AREA CODE: (713) 940-6100

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SECURITIES REGISTERED PURSUANT TO SECTION 12(B) OF THE ACT:

TITLE OF EACH CLASS -----	NAME OF EACH EXCHANGE ON WHICH REGISTERED -----
Common Stock, \$0.25 par value.....	New York Stock Exchange
10 1/4% Subordinated Debentures due 1997.....	New York Stock Exchange
10 7/8% Subordinated Debentures due 2001.....	New York Stock Exchange

SECURITIES REGISTERED PURSUANT TO SECTION 12(G) OF THE ACT:  
\$2 Noncumulative Convertible Preference Stock, \$1 par value.

On December 15, 1995, there were outstanding 29,548,507 shares of the Company's Common Stock, \$0.25 par value. The aggregate market value of the Company's voting stock held by nonaffiliates of the Company is \$64,660,407, based on the closing price in consolidated trading on December 15, 1995 for the Company's Common Stock and the value of the number of shares of Common Stock

into which the Company's \$2 Noncumulative Convertible Preference Stock was convertible on such date.

INDICATE BY CHECK MARK WHETHER THE REGISTRANT (1) HAS FILED ALL REPORTS REQUIRED TO BE FILED BY SECTION 13 OR 15(D) OF THE SECURITIES EXCHANGE ACT OF 1934 DURING THE PRECEDING 12 MONTHS (OR FOR SUCH SHORTER PERIOD THAT THE REGISTRANT WAS REQUIRED TO FILE SUCH REPORTS), AND (2) HAS BEEN SUBJECT TO SUCH FILING REQUIREMENTS FOR THE PAST 90 DAYS, YES X , NO .  
--- ---

INDICATE BY CHECK MARK IF DISCLOSURE OF DELINQUENT FILERS PURSUANT TO ITEM 405 OF REGULATION S-K IS NOT CONTAINED HEREIN, AND WILL NOT BE CONTAINED, TO THE BEST OF REGISTRANT'S KNOWLEDGE, IN DEFINITIVE PROXY OR INFORMATION STATEMENTS INCORPORATED BY REFERENCE IN PART III OF THIS FORM 10-K OR ANY AMENDMENT TO THIS FORM 10-K. [\_]

DOCUMENTS INCORPORATED BY REFERENCE:

Portions of the Proxy Statement to be filed with the Securities and Exchange Commission pursuant to Regulation 14A under the Securities Exchange Act of 1934 in connection with the Company's 1996 Annual Meeting of Stockholders are incorporated by reference into Part III hereof (to the extent set forth in Items 10, 11, 12 and 13 of Part III of this Annual Report on Form 10-K).

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PART I

ITEM 1 AND 2. BUSINESS AND PROPERTIES

GENERAL

Zapata Corporation is a Delaware corporation organized in 1954. As used herein, the term "Zapata" or the "Company" refers to Zapata Corporation or to Zapata Corporation and its consolidated subsidiaries, as applicable.

In fiscal 1993, Zapata began to redirect its operations into the natural gas services market. The Company acquired the common stock of Cimarron Gas Holding Company ("Cimarron") in fiscal 1993. Cimarron was engaged in the business of marketing and trading natural gas liquids, as well as gathering and processing natural gas and its constituent products. Cimarron was purchased to serve as the vehicle for Zapata's expansion into the gathering and processing segments of the natural gas services markets. Since being acquired, Cimarron has purchased additional gathering and processing assets through the acquisition of Stellar Energy Corporation and three affiliated companies (collectively, "Stellar") in September 1993. Zapata acquired the natural gas compression businesses of Energy Industries, Inc. and certain other affiliated companies (collectively, "Energy Industries") in November 1993. Energy Industries was engaged in the business of renting, fabricating, selling, installing and servicing natural gas compressor packages.

In late 1994 and early 1995, the Company began to develop a strategic plan involving the repositioning of the Company into the food packaging, food and food service equipment and supply (collectively, "food services") businesses and exiting the energy business. The strategic plan that was developed called for the divestiture of most of the Company's remaining energy operations, including Energy Industries, Cimarron and the Company's remaining domestic oil and gas assets, and the acquisition of, or joint ventures with, selected companies in the food services industry.

In September 1994, Zapata's Board of Directors announced that the Company would immediately undertake efforts to sell its U.S. natural gas producing properties. The six properties in the Gulf of Mexico, representing Zapata's domestic oil and gas producing operations, were sold in fiscal 1995. Zapata received cash of \$4.0 million and recorded an \$8.9 million receivable representing (i) a production payment entitling Zapata to a share of revenues from certain properties and (ii) a share of future proceeds from a revenue sharing agreement. No gain or loss resulted from the sales. The decision to sell its U.S. natural gas producing properties did not impact Zapata's Bolivian oil and gas operations.

In September 1995, Zapata entered into an agreement (the "Purchase Agreement") to sell the assets of Energy Industries (the "Energy Industries Sale") to Weatherford Enterra, Inc. and its wholly owned subsidiary, Enterra Compression Company (collectively, "Weatherford Enterra"). Pursuant to the Purchase Agreement, Weatherford Enterra purchased from the Company all of the assets of Energy Industries for approximately \$131 million in cash and assumed certain liabilities of Energy Industries, subject to final post closing adjustments. The Energy Industries Sale closed on December 15, 1995 after receiving stockholder approval. The Energy Industries Sale resulted in an after-tax gain of approximately \$14.0 million, which will be reflected in the Company's fiscal 1996 financial results. Although a sale price for Cimarron has not been determined, the Company estimates that, based on preliminary indications of interest from potential purchasers, the minimum sale price for Cimarron should be at least equal to book value. The Company expects to complete the sale of Cimarron in fiscal 1996.

In 1994, the Board of Directors determined that the interests of Zapata's stockholders would best be served by a sale of the marine protein operations. In March 1995, the Company executed an agreement to sell its marine protein operations to an investor group. However, that agreement was terminated in April 1995 due to the investor group's failure to obtain sufficient financing. The Company has since decided to retain the marine protein operations.

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In August 1995, the Company purchased 4,189,298 shares, or 31%, of the common stock of Envirodyne Industries, Inc. ("Envirodyne") for \$18.8 million from a trust controlled by Malcolm Glazer, Chairman of the Board of the Company and, through his beneficial ownership of a trust, a major stockholder of the Company. Mr. Glazer is also a director of Envirodyne. Such shares represented all of Mr. Glazer's ownership interest in Envirodyne. The Company paid the purchase price by issuing a subordinated promissory note bearing interest at the prime rate and maturing in August 1997, subject to prepayment at the Company's option. The Company has since prepaid approximately \$15.6 million on the promissory note. Envirodyne is a major supplier of food packaging products and food service supplies and is a leading worldwide producer of cellulosic casings used in the preparation of packaging of processed meat products. It is the world's second largest producer of heat shrinkable plastic bags and specialty films for packaging and preserving fresh and processed meat products, poultry and cheeses. Envirodyne is also a leading domestic producer of (i) disposable plastic cutlery, drinking straws, custom dining kits and related products and (ii) thermo-formed and injection-molded plastic containers and horticultural trays and inserts. The Company may continue to evaluate the acquisition of additional shares of Envirodyne common stock or proposing a merger with, or acquisition of, Envirodyne in the future, although the Company currently has no plans or proposals to do so.

The Company sold its remaining 673,077 shares of Tidewater Inc. ("Tidewater") common stock in fiscal 1995. Zapata sold 3.5 million and 4.1 million shares of Tidewater common stock in 1993 and 1994, respectively.

#### HISTORICAL CONTRIBUTIONS OF MAJOR DIVISIONS

The following table summarizes historical revenues, operating results (before net interest expense, other income and income taxes), identifiable assets, depreciation, depletion and amortization and capital expenditures for the

Company's continuing operations, by major division, for the periods indicated. As a result of the decision to sell the natural gas compression and natural gas gathering, processing and marketing operations, the Company's financial statements have been restated in 1995 to reflect these operations as discontinued operations, and therefore are not included below.

AS OF OR FOR THE YEAR ENDED SEPTEMBER 30, -----	REVENUES	OPERATING INCOME (LOSS)	IDENTIFIABLE ASSETS	DEPRECIATION, DEPLETION AND AMORTIZATION	CAPITAL EXPENDITURES
			(IN THOUSANDS)		
1995					
Marine protein.....	\$ 94,959	\$ (6,437) (1)	\$ 85,012	\$14,977(1)	\$ 5,573
Oil and gas.....	8,109	658	13,571	2,856	1,767
Corporate.....		(3,441)	38,914	115	1
	-----	-----	-----	-----	-----
	\$103,068	\$ (9,220)	\$137,497	\$17,948	\$ 7,341
	=====	=====	=====	=====	=====
1994					
Marine protein.....	\$ 96,614	\$ 5,445	\$ 87,565	\$ 4,535	\$ 3,671
Oil and gas.....	12,549	(28,285) (3)	20,062	33,770(3)	11,792
Corporate.....		(8,767)	44,044(2)	2,321	67
	-----	-----	-----	-----	-----
	\$109,163	\$ (31,607)	\$151,671	\$40,626	\$15,530
	=====	=====	=====	=====	=====
1993					
Marine protein.....	\$ 58,565	\$ 4,296	\$ 92,728	\$ 4,510	\$ 1,477
Oil and gas.....	20,189	6,032	41,630	7,688	1,327
Corporate.....		(6,769)	169,888(2)	378	8
	-----	-----	-----	-----	-----
	\$ 78,754	\$ 3,559	\$304,246	\$12,576	\$ 2,812
	=====	=====	=====	=====	=====

(1) Includes a \$12.3 million provision for asset impairment to reduce the marine protein assets to their fair market value as a result of adopting Statement of Financial Accounting Standards No. 121.

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(2) Includes Zapata's investment in Tidewater, which was sold through a series of transactions effected in fiscal 1995, 1994 and 1993.

(3) Includes a \$29.2 million provision for oil and gas property valuation required as a result of low gas prices and a revision of estimated future costs.

The net amounts of interest expense (net of interest income), other income and income tax expense (benefit) from continuing operations are set forth below.

YEAR ENDED SEPTEMBER 30, -----	INTEREST EXPENSE	OTHER INCOME	INCOME TAX EXPENSE (BENEFIT)
	(IN THOUSANDS)		
1995.....	\$1,789	\$ 1,986(1)	\$ (3,179)
1994.....	2,983	33,161(1)	(572)
1993.....	12,414	23,523(1)	4,210

(1) Includes pretax gains of \$4.8 million, \$37.5 million and \$32.9 million in fiscal 1995, 1994 and 1993 respectively, from sales of Tidewater, Inc. common stock.

## MARINE PROTEIN OPERATIONS

The Company's marine protein operations involve the production and sale of a variety of protein and oil products from menhaden, a species of fish found along the Gulf of Mexico and Atlantic coasts. Because the magnitude of the fish catch depends on the availability of the natural resource, which is affected by various factors beyond the Company's control, and because the prices for the Company's products are established by worldwide supply and demand relationships over which the Company has no control, the Company cannot predict the profitability of this business segment in any given year.

**Fishing.** The Company owns a fleet of 51 fishing vessels and 27 spotter aircraft for use in its fishing operations and also leases aircraft where necessary to facilitate operations. During the 1995 fishing season in the Gulf of Mexico, where the fishing season runs from mid-April through October, the Company operated 32 fishing vessels and 26 spotter aircraft. The fishing area in the Gulf stretches from the south Texas coastline to the panhandle of western Florida, with a concentration off the Louisiana and Mississippi coasts. The fishing season on the Atlantic coast begins in early May and usually extends into December. The Company operated 9 fishing vessels and 8 spotter aircraft along the mid-Atlantic coast, concentrated in and around the Chesapeake Bay.

Menhaden usually school in large, tight clusters and are commonly found in warm, shallow waters. Spotter aircraft locate the schools and direct the fishing vessels to them. The principal fishing vessels are steamers, which transport two 40-foot purse boats, each carrying several fishermen and one end of a 1,500-foot net. The purse boats encircle the school and capture the fish in the net. The fish are then pumped from the net into refrigerated holds of the steamer, and then are unloaded at the Company's processing plants.

**Processing.** The Company owns five processing plants--three in Louisiana, one in Mississippi and one in Virginia--where the menhaden are processed into fish meal, fish oil and fish solubles. The fish are unloaded from the vessels into storage boxes and then conveyed into steam cookers. The fish are then passed through presses to remove most of the oil and water. The solid portions of the fish are dried and then ground into fish meal. The liquid that is produced in the cooking and pressing operations contains oil, water, dissolved protein and some fish solids. This liquid is decanted to remove the solids and is then put through a centrifugal oil/water separation process. The separated fish oil is a finished product. The separated water and protein mixture is further processed through evaporators to remove the soluble protein, which can be sold as a finished product or added to the solid portions of the fish for processing into fish meal.

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Fish meal, the principal product made from menhaden, is sold primarily as a high-protein ingredient. It is also used as a protein supplement in feed formulated for pigs and other livestock. Each use requires certain standards to be met regarding quality and protein content, which are determined by the freshness of the fish and by processing conditions such as speed and temperatures. Fish solubles are a liquid protein product used as an additive in fish meal and also marketed as an independent product to animal feed formulators and the fertilizer industry.

Fish oil from menhaden is widely used for human consumption as an edible fat in Europe. Refined and hydrogenated menhaden oils have a wide variety of applications as ingredients of margarine, cooking oil and solid cooking fats used in baked goods. The U.S. Food and Drug Administration has approved the use of fully hydrogenated menhaden oil and partially hydrogenated menhaden oil for human consumption in the United States and is considering a petition for use of refined unhydrogenated menhaden oil for human consumption in the United States.

In October 1995, the Company announced plans to cease processing operations

in 1996 at its Dulac, Louisiana plant. The Company's decision was based on the anticipated capital expenditures and operating capital requirements necessary to maintain the long-term viability of the Dulac processing operation. The entire harvesting effort previously managed from this location, as well as a significant portion of the processing assets, will be redeployed to other Company facilities. Therefore, the Company's harvesting efforts in future years are expected to remain comparable to recent years, and the Company's processing capabilities will not be significantly changed.

In August 1993, the Company acquired a 60% equity interest in Venture Milling Company ("Venture"), a Delaware corporation involved in the milling of animal feeds and protein-ingredient products for the poultry, hog and dairy industries. Venture leases and operates a feed mill in Seaford, Delaware and manages its processing operations and sales activities independently of the Company. The Company consolidates the financial results of Venture. The Company's financial results for the 1995 or 1994 fiscal years were not materially impacted by activity related to Venture.

Marketing. Most of the Company's marine protein products are sold directly to about 300 customers by the Company's marketing department, while a smaller amount is sold through independent sales agents. Total product inventory (at the lower of average cost or market) was \$22,947,000 as of September 30, 1995 compared to \$34,143,000 on September 30, 1994. While the fishing season usually extends from April into December, sales from inventory continue throughout the year.

The Company's fish meal is primarily sold to domestic feed producers for utilization as a high-protein ingredient for the poultry industry. Fish oil sales primarily involve export markets where the fish oil is refined for use as an edible oil. One customer for fish oil, Unilever Raw Material B.V., accounted for approximately 11.9% of the Company's consolidated revenues in fiscal 1995, and lesser amounts in the two preceding years. Sales to Unilever Raw Material B.V. were approximately \$12.3 million in 1995.

Competition. The principal competition for the Company's fish meal and fish solubles is from other protein sources such as soybean meal and other vegetable or animal products. The Company believes, however, that these other sources are not complete substitutes because fish meal offers nutritional values not contained in such sources. Vegetable fats and oils, such as soybean and palm oils, provide the primary market competition for fish oil. In addition, the Company competes against domestic, privately owned menhaden fishing companies as well as international producers of fish meal and fish oil derived from species such as anchovy and mackerel.

Fish meal prices generally bear a direct relationship to prevailing soybean meal prices, while prices for fish oil are generally influenced by prices for vegetable fats and oils, such as soybean and palm oils. Thus, the prices for the Company's products are established by worldwide supply and demand relationships over which the Company has no control and tend to fluctuate to a significant extent over the course of a year and from year to year.

Regulation. The Company's marine protein operations are subject to federal, state and local laws and regulations relating to the location and periods in which fishing may be conducted, as well as environmental and safety matters. The Company, through its operation of fishing vessels, is subject to the jurisdiction of the U.S. Coast Guard, the National Transportation Safety Board and the U.S. Customs Service. The U.S. Coast Guard and the National Transportation Safety Board set safety standards and are authorized to investigate vessel accidents and recommend improved safety standards. The U.S. Customs Service is authorized to inspect vessels at will.

The marine protein operations of the Company also are subject to federal, state and local laws and regulations relating to the protection of the environment, including the federal Water Pollution Control Act of 1972, which was significantly modified in 1977 to deal with toxic water pollutants and re-

named as the Clean Water Act, and which imposes strict controls against the discharge of oil and other water pollutants into navigable waters. The Clean Water Act provides penalties for any discharge of pollutants in reportable quantities and, along with the Oil Pollution Act of 1990, imposes substantial liability for the costs of oil removal, remediation and damages. The Company's marine protein operations also are subject to the federal Clean Air Act, as amended; the federal Resource Conservation and Recovery Act, which regulates treatment, storage and disposal of hazardous wastes; the federal Comprehensive Environmental Response, Compensation, and Liability Act, which imposes liability, without regard to fault, on certain classes of persons that contributed to the release of any "hazardous substance" into the environment; and the federal Occupational Safety and Health Act ("OSHA"). The OSHA hazard communications standard, the Environmental Protection Agency community right-to-know regulations under Title III of the federal Superfund Amendment and Reauthorization Act and similar state statutes require the Company to organize information about hazardous materials used or produced in its operations. Certain of this information must be provided to employees, state and local governmental authorities and local citizens. Numerous other environmental laws and regulations, along with similar state laws, also apply to the marine protein operations of the Company, and all such laws and regulations are subject to change.

The Company has made, and anticipates that it will make in the future, expenditures in the ordinary course of its business in connection with environmental matters. Such expenditures have not been material in the past and are not expected to be material in the future. However, there is no assurance that environmental laws and regulations enacted in the future will not adversely affect the Company's marine protein operations.

#### OIL AND GAS OPERATIONS

The Company's only significant remaining oil and gas exploration and production activity is the production of natural gas in Bolivia. During fiscal 1995, the Company sold its U.S. oil and gas properties in the Gulf of Mexico for \$4.0 million cash and an \$8.9 million receivable representing (i) a production payment entitling Zapata to a share of revenues from certain properties and (ii) a share of future proceeds from a revenue sharing agreement. No gain or loss resulted from the sales. The Company conducts oil and gas operations through its wholly owned subsidiary, Zapata Exploration Company ("Zapex").

The Company's decision to sell its U.S. properties did not impact its Bolivian oil and gas operations. The Company believes the value of the Bolivian operation would be enhanced by the construction of a proposed gas pipeline connecting Bolivia's gas producing regions to gas markets in Brazil. The governments of Bolivia and Brazil currently support this project and a multinational group has been formed to construct and operate the pipeline. The project is progressing toward commencement of construction. Pipeline operations are currently projected to commence during the late 1990s.

In 1987, the Company wrote off its remaining investment in its oil and gas properties in Bolivia (held by a joint venture in which the Company has an approximate 25% interest), and all cash proceeds received by the Company thereafter that relate to periods prior to 1988 have been recognized as revenues. The write-off resulted from the failure of the Bolivian state-owned petroleum company to honor its commitment to pay the joint venture for gas deliveries on a timely basis and to remit past-due payments on an agreed schedule. The

Bolivian properties continue to be operated by the joint venture, which began receiving payments with respect to current and past-due invoices on June 30, 1991. Based on the Bolivian oil and gas company's performance under renegotiated contracts and improved operating conditions, Zapata returned to the accrual method of accounting for its Bolivian oil and gas operations beginning in October 1993. The Company recorded revenues of \$4.1 million in

fiscal 1994 from its Bolivian interest. During 1995, the Company recorded revenues of \$2.7 million.

Since 1993, the Company committed to participate in the drilling of four exploratory wells in its Bolivian operation, two of which were drilled in 1994, one during 1995 and the fourth is scheduled to be drilled during 1996.

The Company's oil and gas operations are subject to all of the risks and hazards typically associated with the exploration for, and production of, oil and gas, including blowouts, cratering, oil spills and fires, as well as political, each of which could result in damage to or destruction of oil and gas wells, production facilities or other property or the environment or injury to persons. Although the Company maintains customary insurance coverage, it is not fully insured against such risks, either because such insurance is not available or because of high premium costs. In addition, the Company's investment in its Bolivian oil and gas properties is that of a minority interest owner. Accordingly, the majority owner has the right to determine the details of any exploration and development drilling program.

Oil and Gas Reserves. The following table sets forth information as to the Company's proved and proved developed reserves of oil and natural gas as of September 30, 1995, 1994 and 1993:

	UNITED STATES		BOLIVIA	
	GAS (MMCF)	LIQUIDS (MBBL)	GAS (MMCF)	LIQUIDS (MBBL)
TOTAL PROVED RESERVES AS OF:				
September 30, 1995.....	--	--	29,552	683.5
September 30, 1994.....	34,736	366.8	27,317	744.4
September 30, 1993.....	40,735	360.4	22,534	721.9
TOTAL PROVED DEVELOPED RESERVES AS OF:				
September 30, 1995.....	--	--	29,552	683.5
September 30, 1994.....	27,386	221.3	27,317	744.4
September 30, 1993.....	28,181	200.9	22,534	721.9

As used herein, the term "Mcf" means thousand cubic feet, the term "MMcf" means million cubic feet, the term "Bbl" means barrel and the term "MBbl" means thousand barrels. Liquids include crude oil, condensate and natural gas liquids.

The reserve estimates presented herein were prepared by Huddleston & Co., Inc. ("Huddleston"), independent petroleum reserve engineers. Since September 30, 1995, no major favorable or adverse event has occurred which the Company believes significantly affects or changes estimated reserve quantities as of that date. Zapata is not a party to any contracts that include an obligation to provide a fixed and determinable quantity of oil and gas in the future. No estimates of the Company's proved net oil or gas reserves have been filed with or included in reports to any federal authority or agency other than the Securities and Exchange Commission since October 1, 1994.

There are numerous uncertainties inherent in estimating quantities of proved reserves, including many factors beyond the control of the producer. The reserve data set forth herein represent only estimates. Reserve engineering is a subjective process of estimating underground accumulations of crude oil and natural gas that cannot be measured in an exact manner, and the accuracy of any reserve estimate is a function of the quality of available data and of engineering and geological interpretation and judgment. As a result, estimates of

different engineers often vary. In addition, results of drilling, testing and production subsequent to the date of an estimate may justify revision of such estimate. Accordingly, reserve estimates are often different from the quantities of crude oil and natural gas that are ultimately recovered. The meaningfulness of such estimates is highly dependent upon the accuracy of the assumptions upon which they were based.

Production and Sales. The following table sets forth the Company's production of oil and gas, net of all royalties, overriding royalties and other outstanding interests, for the three years ended September 30, 1995, 1994 and 1993. Natural gas production refers only to marketable production of gas on an "as sold" basis.

	UNITED STATES		BOLIVIA	
	GAS (MMCF)	LIQUIDS (MBBL)	GAS (MMCF)	LIQUIDS (MBBL)
PRODUCTION VOLUMES FOR THE YEAR ENDED:				
September 30, 1995.....	2,996	44.7	1,724	53.3
September 30, 1994.....	3,456	73.0	1,967	68.9
September 30, 1993.....	7,067	47.1	1,665	55.3

The following table shows the average sales prices received by the Company for its production for the three years ended September 30, 1995, 1994 and 1993:

	UNITED STATES		BOLIVIA	
	GAS (MCF)	LIQUIDS (BBL)	GAS (MCF)	LIQUIDS (BBL)
AVERAGE SALES PRICES FOR THE YEAR ENDED:				
September 30, 1995.....	\$1.54	\$15.21	\$1.28	\$18.98
September 30, 1994.....	2.08	14.67	1.34	12.64
September 30, 1993.....	2.32	16.53	1.15	17.41

The following table shows the average production (lifting) costs per unit of production of liquids and gas based on equivalent Mcf for the three years ended September 30, 1995, 1994 and 1993:

	UNITED STATES		BOLIVIA	
AVERAGE PRODUCTION COSTS FOR THE YEAR ENDED:				
September 30, 1995.....	\$ .96		\$.54	
September 30, 1994.....	1.42		.22	
September 30, 1993.....	.77		.05	

Production (lifting) costs are costs incurred to operate, maintain and workover certain wells and related equipment and facilities. They do not include depreciation, depletion and amortization of capitalized acquisition, exploration and development costs, exploration expenses, general and administrative expenses, interest expense or income tax. Production costs for

fiscal 1994 include the effects of \$600,000 in workover expense incurred as a part of the Wisdom gas field workover and recompletion programs completed in September 1994. Differences between sales prices and production (lifting) costs do not represent profit.

Productive Wells and Acreage. On September 30, 1995, the Company's Bolivian oil and gas properties consisted of working interests in 18 gross gas wells (4.65 net wells) capable of production. The Company does not operate any wells. The following table shows the number of producing wells and wells capable of production as of September 30, 1995:

	BOLIVIA
	OIL GAS
	--- ---
PRODUCTIVE OIL AND GAS WELLS:	
Gross.....	-- 18
Net.....	-- 4.65

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One or more completions in the same bore hole are counted as one well. Twelve gross (3.00 net) gas wells in Bolivia are dual completions. A "gross well" is a well in which the Company owns a working interest. A "net well" is deemed to exist when the sum of the fractional working interests owned by the Company in gross wells equals one.

The following table sets forth certain information with respect to the developed and undeveloped acreage of the Company as of September 30, 1995:

	DEVELOPED(1)	UNDEVELOPED(2)	TOTAL
	GROSS(3) NET(4)	GROSS(3) NET(4)	GROSS(3) NET(4)
	-----	-----	-----

ACREAGE

Bolivia.....	5,760	1,456	1,261,920	337,628	1,267,680	339,084
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- 
- (1) Developed acreage is acreage spaced or assignable to productive wells.
  - (2) Undeveloped acreage is acreage on which wells have not been drilled or completed to a point that would permit the production of commercial quantities of oil and gas, regardless of whether such acreage contains proved reserves.
  - (3) A "gross acre" is an acre in which a working interest is owned. The number of gross acres represents the sum of acres in which a working interest is owned.
  - (4) A "net acre" is deemed to exist when the sum of the fractional working interests in gross acres equals one. The number of net acres is the sum of the fractional working interests in gross acres expressed in whole numbers or fractions thereof.

Drilling Activity. Since September 30, 1993, the Company has participated in drilling three exploratory wells in its Bolivian operation that achieved total depth. The first and third wells, the Los Suris #2 and the Palo Mercado #1, were successful in discovering gas reserves. The second well, the San Antonio #1, has been temporarily abandoned.

Marketing. The revenues generated by the Company's exploration and production

operations are highly dependent upon the prices of, and demand for, natural gas, and, to a lesser extent, oil. For the last several years, prices of oil and gas have reflected the worldwide surplus of supply over demand.

Market conditions for oil and gas are the result of a number of factors outside the control of the Company, including changing economic conditions, seasonal weather conditions, loss of markets to alternative fuels, increased foreign production, government regulation and the failure or success of members of OPEC to agree to and maintain price and production controls.

EMPLOYEES

At December 18, 1995, the Company and its subsidiaries employed approximately 1,150 persons. Approximately 117 employees of the Company's marine protein operations are represented by an affiliate of the United Food and Commercial Workers Union. The Company considers its employee relations to be generally satisfactory.

GEOGRAPHICAL INFORMATION

Certain geographical information with respect to the Company's business is set forth in Note 16 of Notes to Consolidated Financial Statements.

EXECUTIVE OFFICERS OF THE REGISTRANT

The names, ages and current offices of the executive officers of the Company, who are to serve until the next annual meeting of the Board of Directors to be held in 1996, are set forth below. Also indicated is the date when each such person commenced serving as an executive officer of the Company.

NAME AND AGE -----	OFFICE -----	DATE BECAME EXECUTIVE OFFICER -----
Avram A. Glazer (34).....	President and Chief Executive Officer Chairman of the Board of	March 1995
Malcolm I. Glazer (67).....	Directors	July 1994
Ronald C. Lassiter (63).....	Chairman and Chief Executive Officer of Zapata Protein, Inc.	March 1970
Lamar C. McIntyre (57).....	Vice President, Chief Financial Officer, Treasurer and Assistant Secretary	October 1994
Joseph L. von Rosenberg III (37).	Executive Vice President, General Counsel and Corporate Secretary	August 1994

A description of the business experience during the past five years for each of the executive officers of Zapata is set forth below.

Avram A. Glazer, a director since 1993, has served as President and Chief Executive Officer of the Company since March 1995. For the past five years, he has been employed by, and has worked on behalf of, Malcolm I. Glazer and a number of entities owned and controlled by Malcolm I. Glazer, including Florida Management Office, TV Management Office, Farmington Mobile Home Park, Inc., Century Development Corporation d/b/a KGNS Laredo, and Canadaigua Mobile Park. Mr. Glazer's principal responsibilities include identifying, implementing, monitoring and disposing of Malcolm I. Glazer's investment interests. Mr.

Glazer also serves as director of the Houlihan's Restaurant Group, Inc. and is a director of Specialty Equipment Companies, Inc. and Envirodyne Industries, Inc. Avram A. Glazer is the son of Malcolm I. Glazer.

Malcolm I. Glazer, a director since 1993, has served as Chairman of the Board of Directors since July 1994 and served as President and Chief Executive Officer from August 1994 until March 1995. Mr. Glazer has been a self-employed, private investor whose diversified portfolio consists of investments in a National Football League football team, television broadcasting, restaurants, restaurant equipment, health care, banking, real estate, stocks, government securities and corporate bonds, for more than the past five years. He is a director and Chairman of the Board of the Houlihan's Restaurant Group, Inc. and also is a director of Specialty Equipment Companies, Inc. and Envirodyne Industries, Inc. He serves on the Executive Committee and Nominating Committee of the Company's Board of Directors. His current term of office as a director expires in 1996. Malcolm I. Glazer is the father of Avram A. Glazer.

Ronald C. Lassiter has been a director since 1974. Mr. Lassiter served as Acting Chief Operating Officer of the Company from December 1994 to March 1995. He served as Chairman of the Board of Directors of Zapata from December 1985 to July 1994. From January 1983 to July 1994, he served as Chief Executive Officer of Zapata, and from July 1994 until December 1994, he served as Chairman and Chief Executive Officer of Zapata Protein, Inc. In December 1994, Mr. Lassiter withdrew from an active management role with Zapata Protein, Inc. as a result of his participation in a group seeking to acquire that subsidiary. That proposed acquisition was not consummated, and Mr. Lassiter resumed his active management role as Chairman and Chief Executive Officer of Zapata Protein, Inc. pursuant to the consulting agreement described under "Employment Agreements and Other Incentive Plans." He has served in various positions with Zapata since 1970, and he served as a director of Zapata Gulf Marine Corporation from November 1984 to January 1992. Mr. Lassiter also serves as a director of Daniel Industries, Inc.

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Lamar C. McIntyre has served as Vice President, Chief Financial Officer and Treasurer since October 1994. He served as Vice President, Tax from October 1990 through November 1991, and Vice President, Tax and Treasurer from December 1991 through September 1994.

Joseph L. von Rosenberg III has served as Executive Vice President since November 1995. He has served as General Counsel since August 1994 and Corporate Secretary since June 1993. From August 1994 through November 1995, Mr. von Rosenberg also held the position of Vice President of the Company. Prior to joining Zapata in June 1993, he served as General Counsel and Corporate Secretary of both The Permian Corporation and Simmons Corporation.

#### PROPERTIES

In addition to the properties discussed above with respect to each business segment, the Company leases office space in Houston, Texas for its executive offices pursuant to a lease which will expire in 2000. The Company believes its facilities are adequate and suitable for its current level of operations. The Company maintains customary compensation, liability, property and marine insurance for all of its operations.

#### ITEM 3. LEGAL PROCEEDINGS

On August 11, 1995, a purported derivative lawsuit was filed in a case styled Harwin v. Glazer, et al., in the Court of Chancery of the State of Delaware in and for New Castle County. The complaint names the Company and each of its directors as defendants and generally alleges that the Company's directors engaged in conduct constituting breach of fiduciary duty and waste of the Company's assets in connection with the Company's investment in Envirodyne (for information on the Company's investment in Envirodyne, see "Envirodyne Ownership Interest" above). The complaint alleges, among other things, that the purchase of the Envirodyne common stock from Malcolm Glazer's affiliate was a

wrongful expenditure of the Company's funds and was designed to permit Malcolm Glazer to obtain substantial personal financial advantages to the detriment of the Company. The complaint seeks relief including, among other things, rescission of the Company's purchase of the shares of Envirodyne common stock from the trust controlled by Malcolm Glazer, voiding of the election of Robert V. Leffler, Jr. and W. George Loar (both of whom were elected at the Company's Annual Meeting of Stockholders held on July 27, 1995) and an award of unspecified compensatory damages and expenses, including attorneys' fees. The complaint alleges, among other things, that Messrs. Leffler and Loar (both of whom served on the special committee of the Company's Board of Directors that approved the investment in Envirodyne) lack independence from Malcolm Glazer because, in the case of Mr. Loar, he was employed by a corporation indirectly controlled by Malcolm Glazer until Mr. Loar's retirement (which occurred more than five years ago), and in the case of Mr. Leffler, that he has served as a paid consultant to Malcolm Glazer. The Company believes that the complaint and allegations contained therein are without merit and intends to defend the case vigorously.

On November 16, 1995, a petition was filed in the 148th Judicial District Court of Nueces County, Texas by Peter M. Holt, a former director of the Company, and certain of his affiliates who sold their interests in Energy Industries to the Company in November 1993 (collectively, with Mr. Holt, the "Holt Affiliates"). The petition lists the Company, Malcolm Glazer and Avram Glazer as defendants and alleges several causes of action based on alleged misrepresentations on the part of the Company and the other defendants concerning the Company's intent to follow a long-term development strategy focusing its efforts on the natural gas services business. The petition did not allege a breach of any provision of the purchase agreement pursuant to which the Company acquired Energy Industries from the Holt Affiliates, but alleged that various representatives of Zapata and Malcolm Glazer made representations to Mr. Holt regarding Zapata's intention to continue in the natural gas services industry. Among the remedies sought by the petition are the following requests: (i) the Company's repurchase of the approximately 2.8 million shares of Zapata common stock owned by the Holt Affiliates for \$15.6 million, an amount that represents a premium of approximately \$4.7

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million, or more than 40%, over the market value of such number of shares based on the closing price of Zapata's common stock on November 16, 1995; (ii) the disgorgement to the Holt Affiliates of Zapata's profit to be made on its sale of Energy Industries; or (iii) money damages based on the alleged lower value of the Common Stock had the alleged misrepresentations not been made. The Company believes that the petition and the allegations made therein are without merit and intends to defend the case vigorously.

From time to time, the Company is involved in litigation relating to claims arising out of its operations in the normal course of its business. The Company maintains insurance coverage against potential claims in an amount which it believes to be adequate. In the opinion of management, uninsured losses, if any, resulting from these matters and from the matters discussed above will not have a material adverse effect on Zapata's results of operations, cash flows or financial position.

#### ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

The information set forth in Item 4 of Zapata's Quarterly Report on Form 10-Q for the fiscal quarter ended June 30, 1995, as amended by a Form 10-Q/A filed on November 13, 1995, is incorporated herein by reference.

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## PART II

#### ITEM 5. MARKET FOR THE REGISTRANT'S COMMON EQUITY AND RELATED STOCKHOLDER MATTERS

Zapata's Common Stock is listed on the New York Stock Exchange. On April 27, 1994, Zapata's stockholders approved a one-for-five reverse stock split (the "Reverse Stock Split") effective May 3, 1994, which reduced the number of common shares outstanding from approximately 158.3 million to approximately 31.7 million. The number of authorized shares remained at 165.0 million and par value of the Common Stock was unchanged. Unless the context otherwise requires, all references in this Report to Common Stock share and per share amounts reflect the Reverse Stock Split. The high and low sales prices for the Common Stock, as reported in the consolidated transactions reporting system and adjusted to reflect the reverse stock split for each quarterly period for the last two fiscal years, as well as the amount per share of dividends declared with respect to the Common Stock during such periods, are shown in the following table.

QUARTER ENDED:	SEPTEMBER 30, 1995	JUNE 30, 1995	MARCH 31, 1995	DECEMBER 31, 1994	SEPTEMBER 30, 1994	JUNE 30, 1994	MARCH 31, 1994	DECEMBER 31, 1993
High sales price.....	\$4.63	\$4.38	\$4.13	\$4.50	\$5.50	\$6.25	\$6.88	\$8.13
Low sales price.....	2.88	2.50	3.25	3.25	4.00	4.00	5.63	5.00
Dividends declared.....	--	--	--	--	0.035	0.035	--	--

The Company announced in December 1994 that its Board of Directors had determined to discontinue indefinitely the payment of dividends on its Common Stock and \$2 Noncumulative Convertible Preference Stock ("Preference Stock").

The rights of holders of the Common Stock to receive dividends or other payments with respect thereto are subject to the prior and superior rights of holders of Zapata's Preferred Stock and Preference Stock, then outstanding. As of the date of this Report, Zapata had outstanding 2,627 shares of Preference Stock.

As of June 30, 1994, Zapata redeemed one-half of the approximately 45,000 outstanding shares of the Company's \$6 Cumulative Preferred Stock at \$100 per share. The Company redeemed the balance of its outstanding \$6 Cumulative Preferred Stock in January 1995.

On December 15, 1995, there were 9,694 holders of record of Common Stock.

ITEM 6. SELECTED FINANCIAL DATA

The following table sets forth certain selected financial information for the periods presented and should be read in conjunction with the Consolidated Financial Statements of the Company and the related notes thereto and with "Management's Discussion and Analysis of Financial Condition and Results of Operations" included in this Report. The selected financial information contained herein has been restated to reflect the Company's marine protein operations as a continued operation as a result of the Company's decision to retain these operations. The Company's Form 10-K for the fiscal year ended September 30, 1994 reflected the marine protein operations as a discontinued operation. The Company's financial statements were also restated in 1995 to reflect the Company's natural gas compression and natural gas gathering, processing and marketing operations as discontinued operations.

YEAR ENDED SEPTEMBER 30,				
1995	1994	1993	1992	1991
(IN THOUSANDS, EXCEPT PER SHARE)				

INCOME STATEMENT DATA:

Revenues.....	\$103,068	\$109,163	\$78,754	\$106,413	\$93,410
Operating income					
(loss).....	(9,220) (1)	(31,607) (2)	3,559	10,901	3,063
Income (loss) from					
continuing					
operations.....	(5,844)	(857) (3)	10,458 (4)	2,431	2,087
Per share income					
(loss) from					
continuing					
operations.....	(0.19)	(0.04)	0.37	0.08	0.07
Cash dividends paid...	1,153	1,566	2,933	--	--
Common Stock,					
dividends declared,					
per share.....	--	0.07	--	--	--
CASH FLOW DATA:					
Capital expenditures..	7,341	15,530	2,812	11,595	8,730

SEPTEMBER 30,

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1995	1994	1993	1992	1991	
-----	-----	-----	-----	-----	-----

(IN THOUSANDS)

BALANCE SHEET DATA:

Working capital.....	\$113,536	\$139,526	\$136,493 (5)	\$30,281	\$ 48,054
Property and equipment, net...	39,238	48,642	86,372	97,768	101,156
Assets of discontinued					
operations.....	101,894	103,117	17,827	--	--
Total assets.....	239,391	254,788	322,073	304,339	318,021
Current maturities of long-					
term debt.....	16,148	531	330	19,652	10,671
Long-term debt.....	37,468	52,581	135,659	120,298	139,951
Stockholders' equity.....	145,290	154,542	146,264	124,880	122,853

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- (1) Includes a \$12.3 million provision for asset impairment of the Company's marine protein assets.
  - (2) Includes a \$29.2 million oil and gas valuation provision.
  - (3) Includes a \$37.5 million pretax gain from the sale of 4.1 million shares of Tidewater common stock and expenses of \$7.4 million related to the prepayment of indebtedness.
  - (4) Includes a \$32.9 million pretax gain from the sale of 3.5 million shares of Tidewater common stock, a \$6.4 million prepayment penalty in connection with the senior debt refinancing and a \$5.7 million pretax loss resulting from the disposition of Zapata's investment in Arethusa (Offshore) Limited.
  - (5) Includes \$75.1 million of restricted cash primarily generated from the sale of Tidewater common stock in June 1993 which was subsequently used to fund the cash portion of the purchase price for the acquisition of Energy Industries.

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following is a discussion of the Company's financial condition and results of operations. This discussion should be read in conjunction with the Consolidated Financial Statements of the Company appearing under Item 8 herein.

BACKGROUND

Zapata Corporation has undergone a significant transformation during the last several years. The Company was previously engaged in the operation of offshore drilling rigs and marine service and supply vessels and oil and gas operations.

All of these operations have been divested in the last few years, with the exception of the Company's remaining interest in a Bolivian oil and gas operation.

In fiscal 1993, the Company began to narrow the focus of its operations to the natural gas services market. In connection with that strategy, the Company acquired Cimarron Gas Holding Company and its subsidiaries (collectively, "Cimarron") early in fiscal 1993 for \$3.8 million, consisting of \$2.5 million in cash and 437,333 shares of the Company's Common Stock ("Common Stock"). Cimarron was purchased to serve as the vehicle for the Company's expansion into the gathering and processing segments of the natural gas services markets. In September 1993, the Company, through Cimarron, acquired the interests of Stellar Energy Corporation and three affiliated companies (collectively, "Stellar") engaged in natural gas gathering and processing for \$16.4 million. The purchase price included \$6.3 million in cash, the redemption of \$3.7 million of notes payable to former Stellar shareholders and the assumption of \$6.4 million of indebtedness of Stellar. The cash portions of the purchase prices were financed with working capital.

Zapata completed a refinancing of its senior debt in fiscal 1993 which enabled the Company to move forward with its plan to redirect its focus into the natural gas services market. Zapata raised a total of \$111.4 million from the issuance of debt and equity pursuant to an agreement (the "Norex Agreement") with Norex Drilling Ltd. ("Norex Drilling"), a wholly owned subsidiary of Norex America, Inc. ("Norex America" and collectively with Norex Drilling and other affiliates, "Norex"). The Norex Agreement enabled the Company to refinance its then-outstanding senior debt. Such refinancing is collectively referred to as the "Norex Refinancing."

The Company sold 3.5 million shares of its Tidewater Inc. ("Tidewater") common stock in June 1993 in an underwritten public offering for net proceeds of \$73.5 million. In November 1993, Zapata used the proceeds to purchase the natural gas compression businesses of Energy Industries, Inc. and certain other affiliated companies (collectively, "Energy Industries") as well as certain real estate used by the business. Total consideration paid for the purchase of Energy Industries, the related real estate and for a related noncompetition agreement (collectively, the "Energy Industries Acquisition") was \$90.2 million. The purchase price consisted of \$74.5 million in cash and 2.7 million shares of the Common Stock valued at \$5.80 per share, which approximated the average trading price prior to closing of the acquisition.

In late 1994 and early 1995, the Company began to develop a strategic plan involving the repositioning of the Company into the food packaging, food and food service equipment and supply (collectively, "food services") businesses and exiting the energy business. The strategic plan that was developed called for the divestiture of most of the Company's remaining energy operations, including Energy Industries, Cimarron and the Company's remaining domestic oil and gas assets, and the acquisition of, or joint ventures with, selected companies in the food services industry.

In September 1994, Zapata's Board of Directors announced that the Company would immediately undertake efforts to sell its U.S. natural gas producing properties. The six properties in the Gulf of Mexico, representing Zapata's domestic oil and gas producing operations, were sold in fiscal 1995. Zapata received cash of \$4.0 million and recorded an \$8.9 million receivable representing (i) a production payment entitling Zapata to a share of revenues from certain properties and (ii) a share of future proceeds from a revenue sharing agreement. No gain or loss resulted from the sales. The decision to sell its U.S. natural gas producing properties did not impact Zapata's Bolivian oil and gas operations.

In September 1995, Zapata entered into an agreement (the "Purchase Agreement") to sell the assets of Energy Industries (the "Energy Industries Sale") to Weatherford Enterra, Inc. and its wholly owned subsidiary, Enterra Compression Company (collectively, "Weatherford Enterra"). Pursuant to the

Purchase Agreement, Weatherford Enterra purchased from the Company all of the assets of Energy Industries for approximately \$131 million in cash and assumed certain liabilities of Energy Industries, subject to final post-closing adjustments. The Energy Industries Sale closed on December 15, 1995 after receiving stockholder approval. The Energy Industries Sale resulted in an after-tax gain of approximately \$14.0 million which will be reflected in the Company's fiscal 1996 financial results. Although a sale price for Cimarron has not been determined, the Company estimates that, based on preliminary indications of interest from potential purchasers, the minimum sales price for Cimarron should be at least equal to book value. The Company expects to complete the sale of Cimarron in fiscal 1996.

In 1994, the Board of Directors determined that the interests of Zapata's stockholders would best be served by a sale of the marine protein operations. Based on preliminary offers to purchase the marine protein operations, the Company recorded an \$8.9 million after-tax book loss in fiscal 1994. On May 5, 1995, Zapata decided to retain the marine protein operations. Zapata had previously announced that an agreement to sell its marine protein operations had been reached. However, the acquisition group failed to close the transaction. The Company subsequently determined to retain these operations. As a result, the marine protein net assets, results of operations and cash flows have been reclassified from discontinued operations to continuing operations, and the \$8.9 million after-tax book loss on disposition was reversed in fiscal 1995.

In August 1995, Zapata acquired 31% of the outstanding common stock of Envirodyne Industries, Inc. ("Envirodyne") for \$18.8 million from a trust controlled by Malcolm Glazer, Chairman of the Board of Zapata and a director of Envirodyne. Zapata paid the purchase price by issuing to the seller a subordinated promissory note bearing interest at the prime rate and maturing in August 1997, subject to prepayment at the Company's option. The Company has since prepaid approximately \$15.6 million on the promissory note. Envirodyne is one of the world's major suppliers of food packaging products and food service supplies. This investment was the first step in the transformation of Zapata into the food-services businesses.

The Energy Industries Sale is another significant step in the Company's transition from an energy company to a food services company. Of the approximately \$131 million in cash proceeds received from the Energy Industries Sale, the Company has used approximately \$26 million to repay certain bank debt. See "Liquidity and Capital Resources." Additionally, approximately \$1 million was used to pay commissions and fees associated with the sale. The Company intends to use the remaining net proceeds from the sale for general corporate purposes, which may include further repayment of debt, and for future expansion into the food services industry. While the Company is actively seeking acquisition and joint venture opportunities in the food services industry, there can be no assurances that the Company will succeed in consummating any such opportunities or that acquisitions or joint ventures, if consummated, will be successful. Zapata's Board of Directors has established a special committee for the purpose of investigating the legal and financial considerations of one or more merger or acquisition transactions involving the Company and Houlihan's Restaurant Group, Inc. ("Houlihan's") and Specialty Equipment Companies, Inc. ("Specialty"). Malcolm Glazer and members of his family beneficially own approximately 73% and 45% of the outstanding common stock of Houlihan's and Specialty, respectively, and Malcolm Glazer, Avram Glazer (the Company's President and Chief Executive Officer) and other members of their family serve as directors of both of those companies. The Special Committee was charged with recommending to the Board of Directors what further steps should be taken by the Company in connection with the above considerations. To date, the Special Committee has not issued any recommendations with respect to its consideration of possible transactions involving either Houlihan's or Specialty.

#### LIQUIDITY AND CAPITAL RESOURCES

At September 30, 1995, Zapata's long-term debt of \$37.5 million compared favorably to working capital of \$113.5 million and stockholders' equity of \$145.3 million. At September 30, 1994, the Company's long-

term debt of \$52.6 million also compared favorably to working capital of \$139.5 million and stockholder's equity of \$154.5 million.

In November 1993 Zapata sold 3.75 million shares of its Tidewater common stock for \$77.8 million. The proceeds were used to prepay \$68.5 million of the 13% senior indebtedness to Norex, along with accrued interest, and to pay a related \$3.5 million prepayment premium. In September 1994, the Company prepaid the remaining \$17.3 million of its 13% senior convertible indebtedness to Norex that was due in 1996. The prepayment was facilitated by the initial drawdown of \$15 million from a \$30 million bank credit facility with Texas Commerce Bank Association (the "TCB Loan Agreement") that Zapata arranged for Energy Industries in September 1994. In connection with the Energy Industries Sale, the TCB Loan Agreement was terminated and the outstanding indebtedness outstanding thereunder was repaid.

In March 1994, Zapata sold 375,175 additional shares of its Tidewater common stock for a net price of \$21.34 per share, generating \$8.0 million. The Company sold its remaining 673,077 shares of Tidewater common stock in March 1995 and used the \$12.7 million proceeds to reduce the Company's \$17.5 million in notes that are due to Norex in 1996.

In fiscal 1994, Zapata redeemed one-half of the approximately 45,000 outstanding shares of the Company's \$6 Cumulative Preferred Stock at \$100 per share. The Company redeemed the balance of its outstanding \$6 Cumulative Preferred Stock in January 1995 at \$100 per share.

In April 1995, Zapata repurchased 2.25 million shares of Common Stock from Norex for \$4.00 per share. The shares repurchased by Zapata represented 7% of the Company's then-outstanding Common Stock. Following the repurchase of these shares, Zapata had approximately 29.5 million shares of Common Stock outstanding.

In fiscal 1995 and 1994, operating activities generated net cash flows of \$7.4 million and \$9.9 million, respectively, as compared to the fiscal 1993 activities that consumed \$22.3 million. The fiscal 1993 use of cash was attributable to the combination of the following: higher interest expense, expenses related to the Norex Refinancing and increased working capital requirements.

Fiscal 1995 investing activities provided \$16.7 million as compared to the fiscal 1994 activities that provided \$74.9 million. The decrease in 1995 was primarily attributable to a reduction in proceeds from sales of Tidewater common stock.

Due to the significant transactions that occurred during fiscal years 1994 and 1993, cash flow from investing activities is combined with financing activities for the following analysis. On a combined basis, these activities used \$13.1 million during fiscal 1994 and \$297,000 during fiscal 1993. The increase usage in fiscal 1994 can be attributed to higher capital expenditures and to the redemption of \$6 Cumulative Preferred Stock. Capital expenditures increased in 1994 due primarily to workover projects in certain U.S. oil and gas operations.

Net cash from financing activities consumed \$31.4 million in fiscal 1995 as compared to \$88.0 million in fiscal 1994. The higher use of cash in fiscal 1994 was primarily attributable to the prepayments of Norex indebtedness.

The Company's capital expenditures for fiscal 1996 are currently projected to be approximately \$4.4 million.

Although Zapata currently has only one working capital facility, the Company considers its current liquidity position to be adequate. A \$15.0 million working capital based loan agreement ("ING Loan Agreement") between International Nederlanden (U.S.) Capital Corporation and two subsidiaries of

the Company, Zapata Protein, Inc. and Zapata Protein (USA), Inc. (collectively, "Zapata Protein") provides the marine protein operation with financial flexibility.

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The ING Loan Agreement provides Zapata Protein with a revolving credit facility that is due June 30, 1997. The ING Loan Agreement bears interest at a variable interest rate that is adjusted periodically based on the prime interest rate. Pursuant to the ING Loan Agreement, Zapata Protein agreed to maintain certain financial covenants and to limit additional indebtedness, dividends, dispositions and acquisitions. The amount of restricted net assets for Zapata Protein at September 30, 1995 was approximately \$47.7 million. Zapata Corporation has guaranteed up to \$10.0 million of the outstanding balance of debt related to the ING Loan Agreement. Pursuant to the ING Loan Agreement, Zapata Protein's ability to transfer funds to Zapata Corporation is limited to \$10.0 million. As of September 30, 1995, Zapata Protein had already transferred the maximum amount of \$10.0 million to Zapata Corporation. The Company remains subject to a covenant in the Norex Agreement that requires Zapata to maintain a consolidated tangible net worth as defined in such agreement of at least \$100 million. Effective September 30, 1995, the Company was in compliance with all provisions governing its outstanding indebtedness.

## RESULTS OF OPERATIONS

### General

Reflecting the Company's decision to retain the marine protein operations and to sell the natural gas compression and natural gas gathering, processing and marketing operations, the Company's results from continuing operations include the marine protein and oil and gas operations and results from discontinued operations include the natural gas compression and natural gas gathering, processing and marketing operations.

### Fiscal 1995--1994

Zapata's fiscal 1995 net income of \$4.2 million improved substantially from the fiscal 1994 net loss of \$8.3 million. The Company's discontinued natural gas compression and natural gas gathering, processing and marketing operations contributed net income of \$1.2 million in fiscal 1995 and \$1.4 million in fiscal 1994. The discontinued operating results include pretax allocations of interest on general corporate debt of \$2.1 million and \$4.3 million in 1995 and 1994, respectively. Fiscal 1995 discontinued operations also include net income of \$8.9 million reflecting the reversal of the estimated loss on the disposition of the marine protein operations that was recorded in fiscal 1994.

The Company recorded a net loss from continuing operations of \$5.8 million in fiscal 1995 as compared to a net loss of \$857,000 in 1994. Sales of the Company's Tidewater common stock generated pretax gains of \$4.8 million in fiscal 1995 and \$37.5 million in fiscal 1994. The fiscal 1995 results also include a \$12.3 million pretax provision for asset impairment of the Company's marine protein assets as a result of adopting Statement of Financial Accounting Standards No. 121 ("SFAS 121"), while the fiscal 1994 results include a pretax valuation provision of \$29.2 million associated with Company's oil and gas operations in the Gulf of Mexico as a result of low gas prices and revision of estimated future costs.

Revenues of \$103.1 million and an operating loss of \$9.2 million in fiscal 1995 compared to revenues of \$109.2 million and an operating loss of \$31.6 million in fiscal 1994. The operating losses are due primarily to the valuation provisions recorded in both years. The 1994 operating loss also includes a \$2.4 million expense related to a reduction in staff at the Company's headquarters.

### Fiscal 1994--1993

Zapata's net loss of \$8.3 million for fiscal 1994 compared unfavorably to net income of \$9.4 million in fiscal 1993. The Company's discontinued natural gas

compression and natural gas gathering, processing and marketing operations contributed net income of \$1.4 million in fiscal 1994 as compared to a \$1.1 million net loss in fiscal 1993 from the natural gas gathering, processing and marketing operations. Discontinued operating results include allocations of interest on general corporate debt of \$4.3 million and \$968,000 in

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1994 and 1993, respectively. Fiscal 1994 discontinued operations also includes the estimated net loss of \$8.9 million related to the disposition of the marine protein operations.

On a continuing operations basis, a net loss of \$857,000 in fiscal 1994 compared unfavorably to net income of \$10.5 million in fiscal 1993. The fiscal 1994 loss includes the \$29.2 million pretax write-down of the Company's oil and gas properties in the Gulf of Mexico. Sales of Tidewater common stock generated pretax gains of \$37.5 million in fiscal 1994 and \$32.9 million in fiscal 1993. The fiscal 1994 gain was partially offset by a \$7.4 million expense associated with the Norex debt prepayments; this expense was comprised of debt prepayment penalties totalling \$4.1 million and a \$3.3 million write-off of previously deferred expenses related to the origination of such indebtedness. The fiscal 1993 gain was partially offset by a \$6.4 million prepayment penalty that Zapata was required to pay in connection with refinancing of senior indebtedness and a \$5.7 million loss from the disposal of Zapata's investment in Arethusa (Offshore) Limited ("Arethusa"). Interest expense was reduced substantially in fiscal 1994 as compared to 1993 reflecting the effects of the restructuring of indebtedness in fiscal 1993 and overall reduction of the Company's indebtedness in fiscal 1994.

Revenues of \$109.2 million and an operating loss of \$31.6 million in fiscal 1994 compared to revenues of \$78.8 million and operating income of \$3.6 million in fiscal 1993. The 1994 operating loss was primarily attributable to the oil and gas valuation provision, as well as to a reduced contribution from the Company's domestic oil and gas operations. The 1994 operating loss also included a \$2.4 million expense related to the reduction in staff at the Company's corporate headquarters and the related write-off of leasehold improvements.

#### Marine Protein

Reflecting the Company's decision to retain the marine protein operations, the net assets and results of marine protein's operations for all periods have been reclassified from discontinued operations to continuing operations and the related \$8.9 million after-tax loss on disposition recorded in fiscal 1994 has been reversed in fiscal 1995. As a result of adopting SFAS 121, in April 1995 the Company recorded a \$12.3 million pretax provision for asset impairment to reduce its marine protein assets to their estimated fair market value. The fair market value of the marine protein assets was determined based on the highest third-party competitive bid that had been received by the Company. SFAS 121 requires companies to write down assets to their estimated fair market value when assets are determined to be impaired.

Revenues of \$95.0 million and operating loss of \$6.4 million in fiscal 1995 compared unfavorably to revenues of \$96.6 million and operating income of \$5.4 million in fiscal 1994, reflecting the effects of the provision for asset impairment and a lower fish catch in fiscal 1995. Fiscal 1995 sales volume of fish meal declined 11% from the fiscal 1994 level while the average per-ton price of \$350 was approximately 2% higher. The decline in fish meal sales volume was attributable to a 22% drop in the fiscal 1995 fish catch as compared to the fiscal 1994 fish catch. Sales volume of fish oil increased 4% in 1995 as compared to 1994 while the average per ton price of \$321 was 7% higher. Reflecting the lower fish catch, the Company's product inventories at September 30, 1995 for fish meal and fish oil were approximately 37% and 45% lower, respectively, than the September 30, 1994 inventory levels.

Fiscal 1994 revenues of \$96.6 million and operating income of \$5.4 million compared favorably to the fiscal 1993 revenues of \$58.6 million and operating

income of \$4.3 million. The improved results were achieved by increased sales volumes that resulted from the combination of a 37% increase in the fiscal 1994 fish catch as compared to 1993 and to higher levels of inventories that were carried over from the fiscal 1993 fishing season. Compared to the prior year, sales volume of fish meal during fiscal 1994 was 55% higher while the average per-ton price of \$344 was 9% lower. Likewise, fish oil volumes doubled during 1994 as compared to 1993 while the average per-ton price of \$300 was 6% lower.

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The price for fish meal generally bears a relationship to prevailing soybean meal prices, while prices for fish oil are usually based on prices for vegetable fats and oils, such as soybean and palm oils. Thus, the prices for the Company's products are significantly influenced by worldwide supply and demand relationships over which the Company has no control and tend to fluctuate to a significant extent over the course of a year and from year to year.

The Company's total fish catch dropped in fiscal 1995 after improving during fiscal 1994 but remained at a higher level than the 1993 catch. The fiscal 1995 fish catch dropped approximately 22% from the 1994 level while the fiscal 1994 catch improved approximately 37% from the catch in fiscal 1993. The annual fish catch can vary from year to year depending on weather conditions and other factors outside the Company's control; the Company cannot predict future fish catch.

#### Oil and Gas Operations

In September 1994, Zapata's Board of Directors announced that the Company would immediately undertake efforts to sell its U.S. natural gas producing properties. The six properties in the Gulf of Mexico, representing Zapata's domestic oil and gas producing operations, were sold in fiscal 1995. Zapata received cash of \$4.0 million and recorded an \$8.9 million receivable representing (i) a production payment entitling Zapata to a share of revenues from certain properties and (ii) a share of future proceeds from a revenue sharing agreement. No gain or loss was recorded from the sales. The decision to sell its U.S. natural gas properties did not impact Zapata's Bolivian oil and gas operations.

Revenues of \$8.1 million and operating income of \$658,000 for fiscal 1995 compared to revenues of \$12.6 million and an operating loss of \$28.3 million in fiscal 1994. The decline in fiscal 1995 revenues reflects the sales of the Company's domestic oil and gas properties during the third and fourth quarters of fiscal 1995. The fiscal 1994 operating results include the \$29.2 million property valuation provision.

Bolivian operations contributed revenues of \$2.7 million and operating income of \$1.4 million in fiscal 1995 as compared to revenues of \$4.1 million and operating income of \$3.5 million in fiscal 1994. In fiscal 1994 Zapata returned to the accrual method of accounting for its Bolivian oil and gas operations based on the Bolivian oil and gas company's performance under negotiated contracts and improved operating conditions.

Reflecting the \$29.2 million property valuation provision, as well as lower prices for U.S. natural gas and lower U.S. natural gas production, revenues of \$12.5 million and an operating loss of \$28.3 million for fiscal 1994 compared unfavorably to the fiscal 1993 revenues of \$20.2 million and operating income of \$6.0 million. The valuation provision was the result of several factors: lower natural gas prices, additional capitalized costs incurred in connection with several workover wells at the Company's Wisdom gas field and an increase in estimated future costs. The Bolivian operations contributed \$3.5 million and \$3.1 million to operating income in fiscal 1994 and 1993, respectively.

The Company's domestic natural gas production for fiscal 1995 was approximately 14% lower than the fiscal 1994 level of production as a result of the sale of its domestic properties. Zapata's domestic natural gas production for fiscal 1994 was approximately one-half of the fiscal 1993 period's level of

production due to production difficulties encountered at the Wisdom gas field which was the Company's most significant domestic oil and gas property.

#### Tidewater

In June 1993, Zapata completed the sale of 3.5 million of its shares of Tidewater common stock through an underwritten public offering. The shares were sold for a net price of \$21.25 per share or \$73.5 million and the sale generated a 1993 pretax gain of \$32.9 million. In November 1993, Zapata sold an additional 3.75

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million shares of its Tidewater common stock for a net price of \$20.75 per share or \$77.8 million and in March 1994, Zapata sold 375,175 additional shares of its Tidewater stock for a net price of \$21.34 per share or \$8.0 million. The fiscal 1994 sales generated pretax gains totaling \$37.5 million. In March 1995, the Company sold its remaining 673,077 shares of Tidewater common stock for a net price of \$18.87 per share or \$12.7 million resulting in a \$4.8 million pretax gain. All gains from the sales of Tidewater common stock are reflected on the statement of operations as other income.

As a result of its decision to sell a portion of its Tidewater common stock, effective January 1, 1993, Zapata changed from the equity to the cost method of accounting for its investment in Tidewater. Consequently, Zapata has not included its percentage of Tidewater's results as equity income since December 31, 1992. Instead, Tidewater dividends to Zapata have been included as other income when declared. For fiscal 1993, Zapata's reported equity income of \$1.1 million was based on 15.6% of Tidewater's results for the three months ended December 31, 1992. Such percentage represented Zapata's ownership percentage of Tidewater.

#### Envirodyne

For fiscal 1995, Zapata's reported equity loss of \$719,000 was based on 31% of Envirodyne's results for the three months ended September 28, 1995 prorated to Zapata's August 1995 acquisition.

#### OTHER INCOME (EXPENSE)

Other expense of \$2.1 million in fiscal 1995 includes a \$2.8 million loss related to an investment in subordinated debentures of Wherehouse Entertainment, Inc. This loss was partially offset by a \$453,000 gain from the sale of the Company's corporate aircraft and the receipt of \$595,000 from a note that was written down in previous years.

Other expense of \$4.3 million in fiscal 1994 includes expenses of \$7.4 million related to the prepayment of the Norex indebtedness, a \$2.8 million gain related to the settlement of a coal note receivable that had previously been written off and \$719,000 dividend income from Zapata's Tidewater common stock. Also, fiscal 1994 other expense includes a \$1.4 million expense related to a terminated pension plan.

Other expense of \$10.5 million incurred during fiscal 1993 includes three significant items: a \$6.4 million prepayment penalty incurred in connection with the refinancing of the Company's senior debt in May 1993, a \$5.7 million loss resulting from the disposition of the Company's investment in Arethusa which Zapata was required to make when the Company's offshore drilling rig fleet was sold, and \$1.3 million dividend income generated by Tidewater common stock.

#### TAXES

The provisions for U.S. income tax for 1995 and 1994 reflect a benefit resulting from pretax losses from consolidated operations. In 1993, the provision reflects expense resulting from pretax consolidated income.

DISCONTINUED OPERATIONS--NATURAL GAS SERVICES OPERATIONS--COMPRESSION

In June 1995, Zapata announced that it had entered into an agreement to sell the assets of its natural gas compression division for \$130 million. The sale (which was approved by Zapata's stockholders) was finalized in December 1995. As a result, these operations are reflected as a discontinued operation in the Company financial statements. The gain from the sale will be reflected in the Company's fiscal 1996 financial statements.

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The major segments of Energy Industries' natural gas compression revenues and operating results for the twelve-month period ended September 30, 1995 and the eleven-month period ended September 30, 1994, in thousands, are identified below.

	REVENUES		OPERATING RESULTS	
	TWELVE MONTHS ENDED SEPTEMBER 30, 1995	ELEVEN MONTHS ENDED SEPTEMBER 30, 1994	TWELVE MONTHS ENDED SEPTEMBER 30, 1995	ELEVEN MONTHS ENDED SEPTEMBER 30, 1994
Compressor Rental.....	\$17,706	\$16,252	\$4,858	\$4,866
Fabrication and Sales...	24,358	27,560	2,095	5,384
Parts and Service.....	19,805	19,608	3,853	3,958
Other.....	4,766	9,102	732	1,492
Selling & Administrative.....	--	--	(5,521)	(7,730)
	=====	=====	=====	=====
	\$66,635	\$72,522	\$6,017	\$7,970

Natural gas compressor package rental utilization is affected by the number and age of producing oil and gas wells, the volume of natural gas consumed and natural gas prices. Rental rates are determined by the demand for compressor packages and vary by size and horsepower of a compressor package. Utilization of the Company's rental units improved during fiscal 1995 and 1994 due primarily to a greater emphasis being placed on rental operations and to the changes in the size of the compressor packages in the rental fleet. Rental rates declined in fiscal 1995 as a result of lower prices for U.S. natural gas. For the same reason, revenues and operating results from compressor package sales declined in fiscal 1995 as compared to fiscal 1994. Energy Industries' utilization, rental rates and fleet size as of September 30, 1995 and 1994 are set forth in the following table.

	SEPTEMBER 30,	
	1995	1994
Fleet utilization:		
Horsepower.....	83.5%	82.6%
Monthly rental rate, based on:		
Horsepower.....	\$ 15.40	\$ 16.61
Fleet size:		
Number of units.....	785	706
Horsepower.....	131,382	113,786

Energy Industry disposed of its heat exchanger manufacturing operation in

fiscal 1995. The sale of the heat exchanger operation did not have a material impact on Energy Industries' results of operations or financial position.

DISCONTINUED OPERATIONS--NATURAL GAS SERVICES OPERATIONS--GATHERING, PROCESSING AND MARKETING

In late 1994 and early 1995, the Company began to develop a strategic plan that called for the divestiture of most of the Company's remaining energy operations, including the Company's natural gas gathering, processing and marketing operations. Although a sales price has not been determined, the Company estimates that, based on preliminary indications of interest from potential purchasers, the minimum sales price for these operations should be at least equal to book value. The Company expects to complete the sale in fiscal 1996. As a result of the Company's decision to sell, these operations are reported as a discontinued operation.

Revenues and operating results for fiscal 1995, 1994 and 1993 are presented in the following table by major category, in thousands.

	REVENUES			OPERATING RESULTS		
	1995	1994	1993	1995	1994	1993
Gathering and Processing...	\$18,080	\$ 22,867	\$ 11,671	\$ 442	\$ 718	\$ 427
NGL Marketing.....	49,749	133,274	174,620	21	703	1,345
Selling & Administrative...	--	--	--	(1,193)	(2,484)	(2,324)
	\$67,829	\$156,141	\$186,291	\$ (730)	\$ (1,063)	\$ (552)

For fiscal 1995, gathering and processing revenues and operating results were lower than the prior year as a result of the negative impact of lower natural gas prices. Marketing revenues and operating results declined in fiscal 1995 as compared to 1994, due to the Company's decision to reduce its natural gas trading activities.

For fiscal 1994, gathering and processing revenues and operating results increased as a result of the expansion of the division's gathering and processing operations during fiscal 1994 and 1993 while marketing revenues and operating results declined primarily due to the Company's decision to reduce its natural gas trading activities.

RECENTLY ISSUED ACCOUNTING STANDARDS

In April 1995, Zapata adopted SFAS 121, "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to be Disposed Of," which established accounting standards for the impairment of long-lived assets, certain identifiable intangibles, and goodwill related to those assets to be held and used and for long-lived assets and certain identifiable intangibles to be disposed of. As a result of adopting SFAS 121 in April 1995 the Company recorded a \$12.3 million pretax provision for asset impairment to reduce its marine protein assets to their estimated fair market value. The fair market value of the marine protein assets was determined based upon the highest third-party competitive bid that had been received by the Company.

In October 1995, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 123, "Accounting for Stock Based Compensation" ("SFAS 123"). The Company does not intend to adopt the recognition provisions of the statement but will adopt the disclosure requirements in fiscal year 1997. The Company does not expect that the adoption

of SFAS 123's disclosure requirements will have a significant effect on the Company's financial statements.

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ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

To the Stockholders and Board of Directors,  
Zapata Corporation:

We have audited the accompanying consolidated balance sheets of Zapata Corporation and subsidiaries as of September 30, 1995 and 1994 and the related consolidated statements of operations, cash flows and stockholders' equity for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the 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 audits provide 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 Zapata Corporation and subsidiaries as of September 30, 1995 and 1994 and the consolidated results of their operations and their cash flows for the years then ended, in conformity with generally accepted accounting principles. We also audited the adjustments for discontinued operations described in Note 5 that were applied to restate the 1993 financial statements. In our opinion, such adjustments are appropriate and have been properly applied to those financial statements.

As described in Notes 1 and 10, the Company adopted Statement of Financial Accounting Standards No. 109, "Accounting for Income Taxes" and No. 115, "Accounting for Certain Investments in Debt and Equity Securities" in 1994 and No. 121, "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to be Disposed Of," in 1995.

COOPERS & LYBRAND L.L.P.

Houston, Texas  
December 15, 1995

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REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

To the Stockholders and Board of Directors,  
Zapata Corporation:

We have audited the accompanying income statement, statement of cash flows and reinvested earnings (deficit) and capital in excess of par value of Zapata Corporation (a Delaware corporation) and subsidiary companies for the year ended September 30, 1993 prior to restatement (and, therefore, are not presented herein) for discontinued operations as described in Note 5 to the restated financial statements. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform the 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 the 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 results of operations and cash flows of Zapata Corporation and subsidiary companies for the year ended September 30, 1993, in conformity with generally accepted accounting principles.

ARTHUR ANDERSEN LLP

Houston, Texas  
December 17, 1993

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ZAPATA CORPORATION  
CONSOLIDATED BALANCE SHEET

ASSETS

	SEPTEMBER 30, 1995	SEPTEMBER 30, 1994
	-----	-----
	(IN THOUSANDS)	
Current assets:		
Cash and cash equivalents.....	\$ 2,488	\$ 9,717
Receivables.....	17,550	17,996
Inventories:		
Fish products.....	22,947	34,143
Materials, parts and supplies.....	3,358	3,601
Prepaid expenses and other current assets.....	2,400	2,478
Net assets of discontinued operations.....	101,894	103,117
	-----	-----
Total current assets.....	150,637	171,052
	-----	-----
Investments and other assets:		
Notes receivable (net of a \$4.3 million		
allowance).....	--	1,925
Production payment and other receivable.....	8,864	--
Investments in unconsolidated affiliates and		
equity securities.....	18,235	14,471
Deferred income taxes.....	6,247	2,915
Other assets.....	16,170	15,783
	-----	-----
Total investments and other assets.....	49,516	35,094
	-----	-----
Property and equipment:		
Marine protein.....	67,553	60,188
Oil and gas, full cost method.....	3,359	77,066
Corporate.....	3,363	5,213
	-----	-----
	74,275	142,467
Accumulated depreciation, depletion and		

amortization.....	(35,037)	(93,825)
	-----	-----
	39,238	48,642
	-----	-----
Total assets.....	\$239,391	\$254,788
	=====	=====

The accompanying notes are an integral part of the financial statements.

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ZAPATA CORPORATION  
CONSOLIDATED BALANCE SHEET  
LIABILITIES AND STOCKHOLDERS' EQUITY

SEPTEMBER 30, SEPTEMBER 30,  
1995 1994

-----  
(IN THOUSANDS)

Current liabilities:		
Current maturities of long-term debt.....	\$ 16,148	\$ 531
Accounts payable.....	2,356	4,804
Accrued liabilities:		
Compensation and employee benefits.....	9,102	9,960
Insurance.....	2,851	4,774
Other.....	6,644	11,457
	-----	-----
Total current liabilities.....	37,101	31,526
	-----	-----
Long-term debt.....	37,468	52,581
	-----	-----
Other liabilities.....	19,532	16,139
	-----	-----
Commitments and contingencies (Note 11)		
Stockholders' equity:		
\$6.00 cumulative preferred stock (no par), outstanding: 22,498 shares (1994).....	--	2,255
\$2.00 noncumulative convertible preference stock (\$1.00 par), outstanding: 2,627 shares (1995 and 1994).....	3	3
Common Stock (\$0.25 par), outstanding: 29,548,407 shares (1995) and 31,716,991 shares (1994).....	7,387	7,929
Capital in excess of par value.....	131,962	138,294
Reinvested earnings, from October 1, 1990 (deficit balance prior to quasi-reorganization at September 30, 1990: \$296,850,000).....	5,938	1,785
Investment in equity securities-unrealized gain, net of taxes.....	--	4,276
	-----	-----
Total stockholders' equity.....	145,290	154,542
	-----	-----
Total liabilities and stockholders' equity...	\$239,391	\$254,788
	=====	=====

The accompanying notes are an integral part of the financial statements.

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CONSOLIDATED STATEMENT OF OPERATIONS

YEARS ENDED SEPTEMBER 30,

	1995	1994	1993
	(IN THOUSANDS, EXCEPT PER SHARE AMOUNTS)		
Revenues.....	\$103,068	\$109,163	\$78,754
Expenses:			
Operating.....	86,739	88,148	51,704
Provision for asset write-downs.....	12,341	29,152	--
Depreciation, depletion and amortization.....	5,607	11,474	12,576
Selling, general and administrative.....	7,601	11,996	10,915
	112,288	140,770	75,195
Operating income (loss).....	(9,220)	(31,607)	3,559
Other income (expense):			
Interest income.....	905	1,653	2,322
Interest expense.....	(2,694)	(4,636)	(14,736)
Gain on sale of Tidewater common stock.....	4,811	37,457	32,928
Equity in income (loss) of unconsolidated affiliates.....	(719)	--	1,125
Other.....	(2,106)	(4,296)	(10,530)
	197	30,178	11,109
Income (loss) from continuing operations before income taxes.....	(9,023)	(1,429)	14,668
Provision (benefit) for income taxes.....	(3,179)	(572)	4,210
Income (loss) from continuing operations.....	(5,844)	(857)	10,458
Discontinued operations (Notes 2, 4 and 5):			
Income (loss) from discontinued operations, net of income taxes.....	1,151	1,435	(1,085)
Reversal (recognition) of loss on disposition, net of income taxes.....	8,897	(8,897)	--
	10,048	(7,462)	(1,085)
Net income (loss).....	4,204	(8,319)	9,373
Preferred and preference stock dividends.....	51	356	404
Net income (loss) to Common Stockholders.....	\$ 4,153	\$ (8,675)	\$ 8,969
Per share data:			
Income (loss) from continuing operations.....	\$ (0.19)	\$ (0.04)	\$ 0.37
Income (loss) from discontinued operations.....	0.33	(0.24)	(0.04)
Net income (loss) per share.....	\$ 0.14	\$ (0.28)	\$ 0.33

The accompanying notes are an integral part of the financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

	YEARS ENDED SEPTEMBER		
	30,		
	1995	1994	1993
(IN THOUSANDS)			
Cash flow provided (used) by operating activities:			
Continuing operations:			
Net income (loss) from continuing operations.....	\$ (5,844)	\$ (857)	\$ 10,458
Adjustments to reconcile net income (loss) to net cash provided (used) by operating activities:			
Depreciation, amortization and valuation provision.....	17,948	40,848	12,576
Gain on sale of assets, net.....	(5,268)	(37,457)	(27,303)
Equity in (income) loss of unconsolidated affiliates.....	719	--	(1,125)
Cash dividends received.....	--	--	1,238
Changes in assets and liabilities:			
Receivables.....	(446)	(7,008)	3,893
Inventories.....	11,439	(1,236)	(13,880)
Accounts payable and accrued liabilities.....	(9,347)	10,616	(445)
Deferred income taxes.....	(2,828)	(3,608)	3,006
Other assets and liabilities.....	(1,320)	3,528	(5,263)
Total adjustments.....	10,897	5,683	(27,303)
Cash flow provided (used) by continuing operations.....	5,053	4,826	(16,845)
Discontinued operations:			
Income (loss) from discontinued operations.....	1,151	1,435	(1,085)
Decrease (increase) in net assets of discontinued operations.....	1,223	3,592	(4,400)
Cash flow provided (used) by discontinued operations.....	2,374	5,027	(5,485)
Net cash provided (used) by operating activities.....	7,427	9,853	(22,330)
Cash flow provided (used) by investing activities:			
Proceeds from disposition of investments and other.....	18,546	88,533	85,245
Restricted cash investments.....	--	74,083	(74,083)
Proceeds from notes receivable.....	5,505	1,061	994
Discontinued business acquisitions, net of cash acquired.....	--	(73,222)	(12,139)
Capital expenditures.....	(7,341)	(15,530)	(2,812)
Net cash provided (used) by investing activities.....	16,710	74,925	(2,795)
Cash flow provided (used) by financing activities:			
Borrowings.....	11,439	1,873	101,375
Proceeds from issuance of Common Stock.....	--	--	11,250
Principal payments of long-term obligations.....	(29,889)	(86,040)	(107,194)
Preferred stock redemption.....	(2,255)	(2,245)	--
Common Stock buyback.....	(9,508)	--	--
Dividend payments.....	(1,153)	(1,566)	(2,933)

Net cash provided (used) by financing activities.....	(31,366)	(87,978)	2,498
Net decrease in cash and cash equivalents.....	(7,229)	(3,200)	(22,627)
Cash and cash equivalents at beginning of year.....	9,717	12,917	35,544
Cash and cash equivalents at end of year.....	\$ 2,488	\$ 9,717	\$ 12,917

The accompanying notes are an integral part of the financial statements.

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ZAPATA CORPORATION

CONSOLIDATED STATEMENT OF STOCKHOLDERS' EQUITY

	PREFERRED STOCK	PREFERENCE STOCK	COMMON STOCK	CAPITAL IN EXCESS OF PAR VALUE	REINVESTED EARNINGS	INVESTMENTS IN EQUITY SECURITIES
(IN THOUSANDS)						
Balance at September 30, 1992.....	\$4,500	\$ 3	\$31,697	\$ 84,970	\$3,710	
Net income.....					9,373	
Preferred stock dividends declared.....					(404)	
Refinancing of bank debt (3.0 million shares)...			3,750	7,041		
Acquisition of Cimarron (437,333 shares).....			547	741		
Other.....			182	154		
Balance at September 30, 1993.....	4,500	3	36,176	92,906	12,679	
Net loss.....					(8,319)	
Cash dividends declared:						
Common Stock.....					(2,219)	
Preferred stock.....					(354)	
Preference stock.....					(2)	
Common Stock one-for-five reverse split.....			(31,657)	31,657		
Preferred stock redemption.....	(2,245)					
Unrealized gain (net of taxes).....						\$4,276
Reclassification of deferred tax asset.....				1,585		
Acquisition of Energy Industries (2.7 million shares)...			3,375	12,285		
Other.....			35	(139)		
Balance at September 30, 1994.....	2,255	3	7,929	138,294	1,785	4,276
Net income.....					4,204	
Preferred stock dividend declared.....					(51)	
Preferred stock redemption.....	(2,255)					
Common Stock buyback....			(23)	(485)		
Repurchase Common Stock (2.25 million shares) from Norex.....			(563)	(8,438)		
Reverse unrealized gain (net of taxes).....						(4,276)
Reclassification of deferred tax asset.....				2,573		
Other.....			44	18		

Balance at September 30, 1995.....	\$ -- =====	\$ 3 ===	\$ 7,387 =====	\$131,962 =====	\$5,938 =====	\$ -- =====
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The accompanying notes are an integral part of the financial statements.

ZAPATA CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1. SIGNIFICANT ACCOUNTING POLICIES

Consolidation

The financial statements include Zapata Corporation and its wholly and majority-owned domestic and foreign subsidiaries (collectively, "Zapata" or the "Company"). Investments in affiliated companies and joint ventures representing a 20% to 50% voting interest are accounted for using the equity method, while interests of less than 20% are accounted for using the cost method, except for investments in oil and gas properties. All investments in oil and gas properties and joint ventures are proportionately consolidated. All significant intercompany accounts and transactions are eliminated in consolidation. Certain reclassifications of prior year information have been made to conform with the current year presentation. Additionally, prior year information and footnotes have been restated to reflect the Company's natural gas compression and natural gas gathering, processing and marketing operations as discontinued operations.

Inventories

Materials, parts and supplies are stated at average cost. Fish product inventories are stated at the lower of average cost or market.

The marine protein division allocates costs to production from its fish catch on a basis of total fish catch and total costs associated with each fishing season. The marine protein inventory is calculated on a standard cost basis each month and adjusted to an actual cost basis quarterly. The costs incurred during the off-season period of January through mid-April are deferred to the next fishing season (mid-April through December) and allocated to production as the fish catch is processed. The off-season deferred cost was approximately \$2.2 million and \$1.9 million at September 30, 1995 and 1994, respectively.

Investments in unconsolidated affiliates and equity securities

In fiscal 1994, the Company adopted Statement of Financial Accounting Standards No. 115 ("SFAS 115"), "Accounting for Certain Investments in Debt and Equity Securities," which addresses the accounting and reporting for investments in equity securities that have readily determinable fair values and for all investments in debt securities. At September 30, 1994, Zapata owned 673,077 shares of Tidewater Inc. ("Tidewater") common stock. These securities were considered available for sale and reported at fair value with any unrealized gain or loss recorded as a separate component of stockholders' equity (net of deferred income taxes). Cost of the Tidewater common stock was determined on the average cost method. In March 1995, Zapata sold its remaining shares of Tidewater common stock.

In August 1995, Zapata acquired 4,189,298 common shares of Envirodyne Industries, Inc. ("Envirodyne"), representing 31% of the then-outstanding common stock of Envirodyne. Zapata's investment in Envirodyne is accounted for using the equity method of accounting. Envirodyne is one of the world's major suppliers of food packaging products and food service supplies.

Investment in Debentures

In May 1995, Zapata acquired \$7,000,000 of 13% Warehouse Entertainment senior subordinated debentures due August 1, 2002 ("Warehouse Debentures") for

\$3,238,750 plus accrued interest. At September 30, 1995, Zapata's investment in the Warehouse Debentures has been written down to its estimated fair market value of \$910,000. The write-down was based on quoted prices of the Warehouse Debentures and the current financial condition of Warehouse Entertainment, Inc. which is currently operating as a debtor in possession under Chapter 11 of the U.S. Bankruptcy Code.

ZAPATA CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS--(CONTINUED)

NOTE 1. SIGNIFICANT ACCOUNTING POLICIES--(CONTINUED)

Property, equipment and depreciation

Property and equipment are recorded at cost except as adjusted by the quasi-reorganization as of October 1, 1990. As a result of the quasi-reorganization the carrying value of the assets utilized in the marine protein operations was reduced to estimated fair value.

In April 1995, Zapata adopted Statement of Financial Accounting Standards No. 121 ("SFAS 121"), "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to be Disposed Of," which established accounting standards for the impairment of long-lived assets, certain identifiable intangibles, and goodwill related to those assets to be held and used or to be disposed of. As a result of adopting SFAS 121, in April 1995 the Company recorded a \$12.3 million pretax provision for asset impairment to reduce its marine protein assets to their estimated fair market value. The fair market value of the marine protein assets was determined based upon the highest third-party competitive bid which had been received by the Company in connection with a contemplated sale of the marine protein operations in 1995. In accordance with SFAS 121, the Company periodically evaluates its long-lived assets, except for its oil and gas properties, for impairment if events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Oil and gas properties are evaluated in accordance with the full cost ceiling test as described below.

Depreciation of property and equipment, other than that related to oil and gas operations, is provided using the straight-line method over the estimated useful lives of the assets. Estimated useful lives of assets acquired new, determined as of the date of acquisition, are as follows:

	USEFUL LIVES ----- (YEARS)
Fishing vessels and fish processing plants.....	15-20
Furniture and fixtures.....	3-10

Losses resulting from sales and retirements of property and equipment are included in operating income while gains are included in other income. Property and equipment no longer in service pending disposition are classified as other assets and recorded at estimated net realizable value.

Oil and gas operations

Under the full cost accounting method all costs associated with property acquisition and exploration for, and development of, oil and gas reserves are capitalized within cost centers established on a country-by-country basis. Capitalized costs within a cost center as well as the estimated future expenditures to develop proved reserves and estimated net costs of dismantlement and abandonment are amortized using the unit-of-production method

based on estimated proved oil and gas reserves. All costs relating to production activities are charged to expense as incurred.

Capitalized oil and gas property costs, less accumulated depreciation, depletion and amortization and related deferred income taxes, are limited to an amount (the ceiling limitation) equal to the sum of (a) the present value (discounted at 10%) of estimated future net revenues from the projected production of proved oil and gas reserves, calculated at prices in effect as of the balance sheet date (with consideration of price changes only to the extent provided by fixed and determinable contractual arrangements), and (b) the lower of cost or estimated fair value of unproved and unevaluated properties, less (c) income tax effects related to differences in the book and tax basis of the oil and gas properties.

ZAPATA CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS--(CONTINUED)

NOTE 1. SIGNIFICANT ACCOUNTING POLICIES--(CONTINUED)

Revenue recognition

The Company utilizes the sales method of accounting for sales of natural gas whereby revenues are recognized based on the amount of gas sold to purchasers. The amount of natural gas sold may differ from the amount to which the Company is entitled based on its working interests in the properties. The Company's reserve estimates are adjusted accordingly to reflect any imbalance positions. The gas imbalance position was not significant to the Company's financial position at September 30, 1995.

All of the Company's oil and gas production from its Bolivian properties is sold to Yacimientos Petroliferos Fiscales Bolivianos ("YPFB"), Bolivia's state-owned oil company. Because of YPFB's improved performance under renegotiated contracts and improved operating conditions in Bolivia, Zapata returned to the accrual method of accounting for its Bolivian oil and gas operations in fiscal 1994. Prior to 1994, the Company used cash-basis revenue recognition for sales from its Bolivian oil and gas properties. The effect of changing to accrual accounting in 1994 increased revenues by \$1.8 million. The Bolivian oil and gas properties contributed revenues and operating income as follows (in millions):

	1995	1994	1993
	----	----	----
Revenues.....	\$2.7	\$4.1	\$3.2
Operating income.....	1.4	3.5	3.1

Income taxes

Zapata adopted Statement of Financial Accounting Standards No. 109 ("SFAS 109"), "Accounting for Income Taxes," as of October 1, 1993. The adoption of SFAS 109 changed Zapata's method of accounting for income taxes to the asset and liability approach. This approach requires the recognition of deferred tax assets and liabilities for the expected future tax consequences of existing temporary differences between the financial reporting and tax reporting basis of assets and liabilities, and operating loss and tax credit carryforwards for tax purposes.

Earnings per share

Income per share is based on the weighted average number of common shares and common share equivalents outstanding during each year. Common share equivalents

include the average shares issuable for convertible preference stock and stock options. Income used for purposes of this calculation has been reduced by accruals for preferred and preference stock dividends.

Loss per share is based on the weighted average number of common shares outstanding during each year. No common share equivalents are incorporated in fiscal 1994 calculations because to do so would be antidilutive. Preferred stock dividends are considered as their effect is to increase the loss per share.

The average shares used in the per share calculations were 30,706,256 in fiscal 1995, 31,377,498 in fiscal 1994 and 27,324,993 in fiscal 1993.

#### Quasi-reorganization

In connection with the comprehensive restructuring accomplished in 1991, the Company implemented, for accounting purposes, a "quasi-reorganization," an elective accounting procedure that permits a company that has emerged from previous financial difficulty to restate its accounts and establish a fresh start in an accounting sense. After implementation of the accounting quasi-reorganization, the Company's assets and

### ZAPATA CORPORATION

#### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS--(CONTINUED)

##### NOTE 1. SIGNIFICANT ACCOUNTING POLICIES--(CONTINUED)

liabilities were revalued and its deficit in reinvested earnings was charged to capital in excess of par value. The Company effected the accounting quasi-reorganization as of October 1, 1990. Capital in excess of par value may be adjusted in the future as a result of the resolution of pre-quasi reorganization liabilities.

#### Common Stock

On April 27, 1994, Zapata's stockholders approved a one-for-five reverse stock split of Zapata's outstanding common stock (the "Common Stock") effective May 3, 1994 which reduced the number of common shares outstanding from approximately 158.3 million to approximately 31.7 million. The number of authorized shares remained at 165.0 million and the par value of the Common Stock was unchanged. All references to Common Stock, earnings per share, per share price and average number of common shares outstanding have been restated to reflect the reverse stock split.

##### NOTE 2. DISCONTINUED MARINE PROTEIN OPERATIONS SUBSEQUENTLY RETAINED

In July 1994, Zapata announced that it intended to separate its marine protein operations from its energy-related businesses. In September 1994, the Board of Directors determined that the interests of Zapata's stockholders would best be served by a sale of the marine protein operations. This determination resulted in the 1993 and 1992 consolidated financial statements being restated to present the net assets and operating results of the marine protein operations as a discontinued operation. Additionally, based on preliminary offers received in 1994 to purchase the marine protein operations, the Company recorded an \$8.9 million after-tax book loss in fiscal 1994 to reflect the estimated loss on disposition of the marine protein operations.

On May 5, 1995, the Board of Directors decided to retain the marine protein operations. Zapata had previously announced that an agreement to sell its marine protein operations had been reached. However, the acquisition group failed to close the transaction. As a result, the marine protein net assets and results of operations and cash flows for all periods have been reclassified from discontinued operations to continuing operations. Additionally, the \$8.9 million after-tax book loss that was recorded in fiscal 1994 was reversed in fiscal 1995.

The following is a summary of certain selected financial data for the marine protein operations for the periods presented herein in which these operations were previously reported as a discontinued operation (amounts in millions):

	YEARS ENDED SEPTEMBER 30,	
	1994	1993
FINANCIAL RESULTS		
Revenues.....	\$96.6	\$58.6
Expenses.....	94.3	59.2
	-----	-----
Income (loss) before taxes.....	2.3	(.6)
Income tax provision.....	1.1	(.2)
	-----	-----
Net income (loss) *.....	\$ 1.2	\$ (.4)
	=====	=====

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ZAPATA CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS--(CONTINUED)

NOTE 2. DISCONTINUED MARINE PROTEIN OPERATIONS SUBSEQUENTLY RETAINED--  
(CONTINUED)

	SEPTEMBER 30, 1994
	-----
FINANCIAL POSITION	
Current assets.....	\$49.0
Investments and other.....	8.0
Property and equipment, net.....	30.5
	-----
	87.5
	-----
Debt.....	9.7
Other liabilities and deferred income taxes.....	26.5
	-----
	36.2
	-----
Net book value.....	\$51.3
	=====

\* Net income (loss) includes allocations of interest expense on general corporate debt of \$2.5 million in 1994 and \$3.9 million in 1993. Interest expense was allocated to discontinued operations based on a ratio of net assets to be sold to the sum of total net assets of the Company plus general corporate debt.

NOTE 3. DISPOSITION OF DOMESTIC OIL & GAS ASSETS

In September 1994, the Board of Directors determined that the Company would immediately undertake efforts to sell its U.S. natural gas producing

properties. Zapata's Bolivian oil and gas operations were not impacted by this decision. The six properties in the Gulf of Mexico, representing Zapata's domestic oil and gas producing operations, were sold during fiscal 1995. Zapata received cash of \$4.0 million and an \$8.9 million production payment and other receivable. No gain or loss was recorded from the sales.

The production payment and other receivable received in partial consideration for the sale of the domestic oil and gas properties consists of a \$6.1 million production payment receivable and a \$2.8 million receivable related to future proceeds from a revenue sharing agreement. The Company will begin collecting the production payment receivable only after certain cumulative production volumes have been achieved; collection will cease upon the earlier of (i) receipt of \$13.5 million or (ii) when the designated oil and gas reserves have been depleted. The \$2.8 million receivable related to the revenue sharing agreement will be collected based on payments made by a third party for the use of a platform and related facilities. Receipts under the revenue sharing agreement are expected to begin in 1996 and will cease at the earlier of (i) the receipt of \$6.0 million or (ii) the cessation of payments made by a third party for usage of the platform and related facilities. The receivable's estimated fair market value of \$8.9 million is based on discounted expected cash flows and approximates book value at September 30, 1995.

Following is a summary of the results of operations of the Company's domestic oil and gas operations (amounts in millions):

	YEAR ENDED SEPTEMBER 30, 1995 -----
Revenues.....	\$ 5.4
Expenses.....	(9.2)
	-----
Loss before income taxes.....	\$ (3.8)
	=====

ZAPATA CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS--(CONTINUED)

NOTE 4. DISCONTINUED NATURAL GAS COMPRESSION OPERATIONS

Acquisition

In November 1993, Zapata purchased the natural gas compression business of Energy Industries, Inc. and certain other affiliated companies ("Energy Industries"), as well as certain real estate used by the business. Total consideration paid for the purchase of Energy Industries and certain real estate, and for a related noncompetition agreement (collectively, the "Energy Industries Acquisition"), was \$90.2 million, consisting of \$74.5 million in cash and 2.7 million shares of Common Stock based on an assigned value of \$5.80 per share which approximated the average trading price prior to the closing of the acquisition. Additionally, the Company incurred approximately \$2.0 million in fees associated with the Energy Industries Acquisition. Zapata accounted for the acquisition using the purchase method of accounting and recorded \$19.3 million of goodwill in connection therewith. The goodwill was being amortized over 40 years.

The following assets and liabilities were acquired in connection with the Energy Industries Acquisition effective November 1, 1993 (in millions):

Cash.....	\$ 3.5
Receivables.....	9.3
Inventory.....	16.2
	-----
	29.0
Goodwill & other assets.....	19.7
Property & equipment, net.....	49.6
	-----
	\$98.3
	=====
Current liabilities.....	\$ 5.8
Long-term debt.....	.2
	-----
	\$ 6.0
	=====

Disposition

In late 1994 and early 1995, the Company began to develop a strategic plan which involves repositioning the Company in the food packaging, food and food service equipment and supply (collectively, "food services") businesses and exiting the energy business. The strategic plan that was developed called for the divestiture of most of the Company's remaining energy operations, including Energy Industries, and the acquisition of, or joint ventures with, selected companies in the food services industry.

In September 1995, Zapata entered into an agreement (the "Purchase Agreement") to sell the assets of Energy Industries (the "Energy Industries Sale") to Weatherford Enterra, Inc. and its wholly owned subsidiary, Enterra Compression Company (collectively, "Weatherford Enterra"). Pursuant to the Purchase Agreement, Weatherford Enterra purchased from the Company all of the assets of Energy Industries for approximately \$131 million in cash, and assumed certain liabilities of Energy Industries, subject to final post closing adjustments. The Energy Industries Sale closed in December 1995 after receiving stockholder approval. The Energy Industries Sale resulted in an after-tax gain of approximately \$14.0 million, which will be reflected in the Company's fiscal 1996 financial results.

ZAPATA CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS--(CONTINUED)

NOTE 4. DISCONTINUED NATURAL GAS COMPRESSION OPERATIONS--(CONTINUED)

The consolidated financial statements have been restated to report the net assets and operating results of the Energy Industries operations as a discontinued operation. Summarized results and financial position of the Energy Industries discontinued operations are shown below (amounts in millions):

	YEARS ENDED	
	SEPTEMBER 30,	
	-----	-----
	1995	1994
	-----	-----
FINANCIAL RESULTS		
Revenues.....	\$ 66.6	\$ 72.5
Expenses.....	63.2	67.7
	-----	-----

Income before taxes.....	3.4	4.8
Income tax provision.....	1.4	1.9
	-----	-----
Net income*.....	\$ 2.0	\$ 2.9
	=====	=====

SEPTEMBER 30,  
-----  
1995    1994  
-----

FINANCIAL POSITION

Current assets.....	\$ 32.1	\$ 30.7
Investments and other assets.....	20.3	19.4
Property and equipment, net.....	61.5	52.5
	-----	-----
	113.9	102.6
	-----	-----
Debt.....	27.8	15.2
Other liabilities.....	5.6	6.7
	-----	-----
	33.4	21.9
	-----	-----
Net book value.....	\$ 80.5	\$ 80.7
	=====	=====

\* Net income includes allocations of interest expense on general corporate debt of \$1.7 million in 1995, and \$3.4 million in 1994. Interest expense was allocated to discontinued operations based on a ratio of net assets to be sold to the sum of total net assets of the Company plus general corporate debt.

NOTE 5. DISCONTINUED NATURAL GAS GATHERING, PROCESSING AND MARKETING OPERATIONS

Acquisition

During the first quarter of fiscal 1993, Zapata acquired the common stock of Cimarron Gas Holding Company ("Cimarron") for \$3.8 million consisting of \$2.5 million in cash and 437,333 shares of Common Stock. Zapata accounted for the acquisition using the purchase method of accounting and recorded \$2.0 million of goodwill in connection therewith. The goodwill was being amortized over 20 years. The following assets and liabilities were acquired effective October 1, 1992 (in millions):

Current assets.....	\$20.3
Property and equipment, net.....	2.0
	-----
	\$22.3
	=====
Current liabilities.....	\$19.6
Long-term debt.....	.7
	-----
	\$20.3
	=====

OPERATIONS--(CONTINUED)

In September 1993, Cimarron acquired the natural gas gathering and processing plant interests of Stellar Energy Corporation and three affiliated companies (collectively, "Stellar") for approximately \$16.4 million. The acquisition was financed through the use of working capital cash and assumption of certain indebtedness of Stellar. Zapata accounted for the acquisition using the purchase method of accounting and recorded \$5.5 million of goodwill in connection therewith. The goodwill was being amortized over 20 years.

Proposed Disposition

In late 1994 and early 1995, the Company developed a strategic plan that calls for the divestiture of substantially all of the Company's remaining energy operations including Cimarron. Although a sales price for Cimarron has not been determined, the Company estimates that, based on preliminary indications of interest from potential purchasers, the sales price for Cimarron should be at least book value. The Company expects to complete the sale of Cimarron in fiscal 1996.

The consolidated financial statements have been restated to report the net assets and operating results of Cimarron's operations as a discontinued operation. Summarized results and financial position of Cimarron's discontinued operations are shown below (amounts in millions):

	YEARS ENDED		
	SEPTEMBER 30,		
	1995	1994	1993
FINANCIAL RESULTS			
Revenues.....	\$67.8	\$156.1	\$186.3
Expenses.....	69.1	158.4	187.9
Loss before taxes.....	(1.3)	(2.3)	(1.6)
Income tax benefit.....	(0.5)	(0.8)	(0.5)
Net loss*.....	\$ (0.8)	\$ (1.5)	\$ (1.1)

	SEPTEMBER	
	30,	
	1995	1994
FINANCIAL POSITION		
Current assets.....	\$ 9.6	\$13.2
Other assets.....	6.7	7.0
Property and equipment, net.....	16.9	16.5
	33.2	36.7
Debt.....	2.2	3.8
Other liabilities.....	9.6	10.5
	11.8	14.3
Net book value.....	\$21.4	\$22.4

\* Net loss includes allocations of interest expense on general corporate debt of \$452,000 in 1995, \$932,000 in 1994 and \$968,000 in 1993. Interest expense was allocated to discontinued operations based on a ratio of net assets to be sold to the sum of total net assets of the Company plus general corporate debt.

ZAPATA CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS--(CONTINUED)

NOTE 6. UNCONSOLIDATED AFFILIATES

In August 1995, Zapata acquired 4,189,298 common shares of Envirodyne, representing 31% of the outstanding common stock of Envirodyne, for \$18.8 million from a trust controlled by Malcolm Glazer, Chairman of the Board of Zapata and a director of Envirodyne. Zapata paid the purchase price by issuing to the seller a subordinated promissory note bearing interest at prime and maturing in August 1997, subject to prepayment at the Company's option. Subsequently, the Company prepaid approximately \$15.6 million on the promissory note. Zapata follows the equity method of accounting for its investment in Envirodyne. The difference between Zapata's share of Envirodyne's equity and Zapata's recorded investment in Envirodyne is being amortized over 15 years. At September 30, 1995, the unamortized balance of this difference was \$19.3 million. The aggregate market value of Zapata's shares of Envirodyne's common stock as of September 30, 1995 was \$18.9 million based on the closing price of \$4.50 per publicly traded share on that date.

Due to the significance of the Company's investment, the unaudited financial position and results of operations of Envirodyne are summarized below. The financial statement information presented below for Envirodyne is based upon its interim report for the quarter ended September 28, 1995 (unaudited, in millions, except per share amounts):

ENVIRODYNE INDUSTRIES, INC.

	SEPTEMBER 28, 1995
	-----
BALANCE SHEET	
Current assets.....	\$255.3
Other.....	190.0
Property and equipment, net.....	467.4
	-----
Total assets.....	\$912.7
	=====
Current liabilities.....	\$129.8
Long-term debt.....	529.7
Deferred income taxes and other.....	132.1
Stockholders' equity.....	121.1
	-----
Total liabilities and stockholders' equity.....	\$912.7
	=====

THREE MONTHS  
ENDED  
SEPTEMBER 28,  
1995

INCOME STATEMENT	
Revenues.....	\$167.7 =====
Loss before income taxes.....	\$ (7.5) =====
Net loss.....	\$ (4.5) =====
Net loss per share.....	\$(0.33) =====

In January 1992, Zapata exchanged its 34.7% interest in Zapata Gulf Marine Corporation ("Zapata Gulf") for approximately 8.3 million shares of Tidewater common stock. Zapata sold 673,077, 4.1 million and 3.5 million shares of its Tidewater common stock in fiscal 1995, 1994 and 1993, respectively. Initially,

ZAPATA CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS--(CONTINUED)

NOTE 6. UNCONSOLIDATED AFFILIATES--(CONTINUED)

Zapata followed the equity method of accounting for its investment in Tidewater based on its percentage ownership and proxies that allowed the Company to have voting control of 20% of the total shares of Tidewater common stock outstanding.

Effective January 1, 1993, Zapata changed from the equity to the cost method of accounting for its investment in Tidewater as a result of Zapata's decision to sell 3.5 million of its shares of Tidewater common stock. Consequently, Zapata has not reported its percentage of Tidewater's results since such time. Instead, Tidewater's dividends of approximately \$135,000, \$719,000 and \$1.3 million were included in other income in 1995, 1994 and 1993, respectively. Zapata received dividends from Tidewater totalling \$135,000, \$719,000 and \$2.5 million in fiscal 1995, 1994 and 1993, respectively.

The Company was also engaged directly in the offshore drilling business until October 31, 1990, when its offshore drilling rigs were sold to Arethusa (Offshore) Limited ("Arethusa"). In conjunction with the sale, the Company made a \$17.5 million investment in Arethusa. In fiscal 1993, the Company disposed of its investment in Arethusa for \$11.8 million, resulting in a pretax loss of \$5.7 million. The Company accounted for its investment in Arethusa using the cost method of accounting.

A summary of equity in net income (loss) of and investments in unconsolidated affiliates is shown below:

	EQUITY IN NET INCOME (LOSS)	INVESTMENTS AS OF SEPTEMBER 30
	----- (IN THOUSANDS) -----	
1995		
Envirodyne.....	\$ (719) =====	\$18,235 =====
1994		
Tidewater.....	\$ ---- =====	\$14,471 =====
1993		
Tidewater.....	\$1,125	\$56,289

In June 1993, Zapata completed a sale of 3.5 million shares of its Tidewater stock through an underwritten public offering. The Tidewater shares were sold at a net price of \$21.25 per share, or \$73.5 million, and the sale generated a third-quarter 1993 pretax gain of \$32.9 million. In November 1993, Zapata sold 3.75 million shares of its Tidewater common stock through an underwritten public offering for a net price of \$20.75 per share, or \$77.8 million, and the sale resulted in a pretax gain of \$33.9 million. Additionally, in March 1994, Zapata sold 375,175 shares of its Tidewater common stock for a net price of \$21.34 per share, or \$8.0 million, resulting in a pretax gain of \$3.6 million. In March 1995, Zapata sold its remaining 673,077 shares of Tidewater common stock for a net price of \$18.87 per share, or \$12.7 million, resulting in a pretax gain of \$4.8 million. These gains are reflected on the statement of operations as other income.

ZAPATA CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS--(CONTINUED)

NOTE 7. DEBT

At September 30, 1995 and 1994, Zapata's consolidated debt consisted of the following:

	1995	1994
	-----	-----
	(IN THOUSANDS)	
Senior debt:		
Norex unsecured notes due in 1996 interest at 8.5%.....	\$ 4,796	\$17,500
ING Bank revolving credit facility for marine protein due June 30, 1997 interest at prime plus 1%, 9.75% at September 30, 1995, collateralized by certain current assets.....	10,000	--
U.S. government-guaranteed obligations:		
Amounts due in installments through 2009, interest from 6.63% to 6.85%.....	7,626	7,961
Amounts due in installments through 2014, interest at Eurodollar rates plus .45%, 6.33% and 5.51% at September 30, 1995 and 1994, respectively.....	1,528	1,588
Other debt at 8.1% and 7.7% at September 30, 1995 and 1994, respectively.....	992	200
	-----	-----
	24,942	27,249
	-----	-----
Subordinated debt:		
10 1/4% debentures due 1997.....	15,621	15,621
10 7/8% debentures due 2001.....	9,872	10,242
Malcolm I. Glazer Trust unsecured subordinated promissory note due in 1997 at prime, 8.75% at September 30, 1995.....	3,181	--
	-----	-----
	28,674	25,863
	-----	-----
Total debt.....	53,616	53,112
	-----	-----
Less current maturities.....	16,148	531
	-----	-----
Long-term debt.....	\$37,468	\$52,581
	=====	=====

The fair value of total long-term debt at September 30, 1995 and 1994

approximates book value.

On May 17, 1993, Zapata completed certain financial transactions with Norex Drilling Ltd. ("Norex Drilling"), a wholly owned subsidiary of Norex America, Inc. ("Norex America" and, collectively with Norex Drilling and other affiliates, "Norex"), through which Zapata raised \$111.4 million from the issuance of debt and equity pursuant to a Second Amended and Restated Master Restructuring Agreement dated as of April 16, 1993, as amended (the "Norex Agreement"). The Norex Agreement enabled Zapata to refinance its then-outstanding senior debt and substantially reduce the amount of required debt service payments for the following two years.

Under the terms of the Norex Agreement, Zapata issued \$50.0 million of senior secured notes and \$32.6 million of senior convertible notes to Norex, each bearing interest at 13%. In addition, Norex purchased 3 million shares of Common Stock for \$11.25 million and 17.5 million shares of \$1 Preference Stock for \$17.5 million. The \$1 Preference Stock was to pay dividends at an annual rate of 8.5% and was exchangeable into 673,077 shares of Zapata's Tidewater common stock at the option of Norex. In August 1993, Norex exchanged all of its \$1 Preference Stock for \$17.5 million aggregate principal amount of 8.5% unsecured exchangeable note, maturing May 16, 1996. An officer of Norex was elected to the Zapata Board of Directors in July 1993 and was an executive officer of Zapata from July 1994 to December 1994.

In December 1993, \$73.7 million of the proceeds from the sale of 3.75 million shares of Zapata's Tidewater common stock were used to prepay \$68.5 million of the Company's 13% senior indebtedness to

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#### ZAPATA CORPORATION

##### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS--(CONTINUED)

###### NOTE 7. DEBT--(CONTINUED)

Norex, along with accrued interest, and to pay a \$3.5 million prepayment premium. Also, Zapata wrote off \$3.3 million of previously deferred expenses related to the origination of such indebtedness. In September 1994, Zapata repaid the remaining balance of its 13% senior convertible indebtedness to Norex and a required prepayment penalty of \$655,000 with proceeds from the initial drawdown of \$15 million from a \$30 million bank credit facility provided by Texas Commerce Bank National Association (the "TCB Loan Agreement").

In April 1995, Zapata used proceeds of \$12.7 million from the sale of its remaining 673,077 shares of Tidewater common stock to reduce the Company's \$17.5 million in notes due to Norex in May 1996.

In 1995, two of the Company's subsidiaries, Zapata Protein, Inc. and Zapata Protein (USA), Inc. (collectively "Zapata Protein") entered into a loan agreement with Internationale Nederlanden (U.S.) Capital Corporation ("ING Loan Agreement"). The ING Loan Agreement provides Zapata Protein with a \$15 million revolving credit facility that is due June 30, 1997. The ING Loan Agreement bears interest at a variable interest rate that is adjusted periodically based on prime interest rate plus 1%. Pursuant to the ING Loan Agreement, Zapata Protein agreed to maintain certain financial covenants and to limit additional indebtedness, dividends, dispositions and acquisitions. Zapata Corporation has guaranteed up to \$10.0 million of the outstanding balance of debt related to the ING Loan Agreement. The amount of restricted net assets for Zapata Protein at September 30, 1995 was approximately \$47.7 million. Pursuant to the ING Loan Agreement, Zapata Protein's ability to transfer funds to Zapata Corporation is limited to \$10.0 million. As of September 30, 1995, Zapata Protein had already transferred the maximum amount of \$10.0 million to Zapata Corporation. The Company remains subject to a covenant in the Norex debt agreement that requires Zapata to maintain a consolidated tangible net worth as defined in such agreement of at least \$100 million. Effective September 30, 1995, the Company was in compliance with all provisions governing its outstanding indebtedness.

In August 1995, Zapata acquired 31% of the outstanding common stock of Envirodyne for \$18.8 million from a trust controlled by Malcolm Glazer, Chairman of the Board of Zapata and a director of Envirodyne. Zapata paid the purchase price by issuing to the seller a subordinated promissory note bearing interest at prime and maturing in August 1997, subject to prepayment at the Company's option. The Company has since prepaid approximately \$15.6 million on the promissory note.

During 1993, the Company refinanced its U.S. government-guaranteed debt in order to achieve lower interest rates; other significant terms were unchanged. The U.S. government-guaranteed debt is collateralized by a first lien on all of the vessels refurbished by the refinancing proceeds and certain plant assets.

Annual maturities

The annual maturities of long-term debt for the five years ending September 30, 2000 are as follows (in thousands):

1996	1997	1998	1999	2000
----	-----	----	----	----
\$16,148	\$19,288	\$514	\$537	\$555

ZAPATA CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS--(CONTINUED)

NOTE 8. CASH FLOW INFORMATION

For purposes of the statement of cash flows, all highly liquid investments with an original maturity of three months or less are considered to be cash equivalents.

Net cash provided (used) by operating activities reflects cash payments of interest and income taxes.

1995	1994	1993
-----	-----	-----
(IN THOUSANDS)		

Cash paid during the fiscal year for:

Interest.....	\$6,609	\$7,142	\$12,836
Income tax payments (refund).....	544	4,507	(10)

In fiscal 1994 and 1993, interest expense of \$1.3 million and \$1.7 million, respectively, associated with the Norex senior secured and convertible notes, was deferred to the maturity date of such notes. As discussed in Note 7, these notes were prepaid in full in fiscal 1994.

During fiscal 1995, the Company exchanged certain other assets held for sale for property and equipment and also exercised an option to purchase certain real estate resulting in the reclassification of a deposit from other assets to property and equipment. These transactions resulted in the reclassification of approximately \$2.0 million from other assets to property and equipment.

NOTE 9. PREFERRED, PREFERENCE AND COMMON STOCK

Preferred stock

Zapata has authorized two million shares of preferred stock issuable in one or more series. In 1994, Zapata redeemed one-half of the approximately 45,000 outstanding shares of the Company's preferred stock and redeemed the balance of its outstanding preferred stock in January 1995. The preferred stock was redeemed at \$100 a share. Quarterly dividends of \$2.25 per share were declared and paid in fiscal 1995 and 1994.

#### Preference stock

Zapata has authorized 18 million shares of preference stock issuable in one or more series. The 2,627 outstanding shares are entitled to vote on all matters submitted to stockholders, are redeemable at \$80.00 per share and \$30.00 per share in liquidation. The stated quarterly dividend, which is noncumulative, is \$.50 per share. Dividends were paid July 1, 1994 and October 1, 1994, the first such quarterly dividends since the second quarter of 1986. Each outstanding share is convertible at any time into 2.1 shares of Common Stock. The Company announced in December 1994 that its Board of Directors had determined to discontinue the payment of dividends on its preference stock.

#### Common stock

Zapata has authorized 165 million shares of Common Stock, of which 29,548,407 were issued and outstanding at September 30, 1995.

### ZAPATA CORPORATION

#### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS--(CONTINUED)

##### NOTE 9. PREFERRED, PREFERENCE AND COMMON STOCK--(CONTINUED)

In April 1995, Zapata repurchased 2.25 million shares of Common Stock from Norex for \$4.00 per share. The shares repurchased by Zapata represented 7% of the Company's then-outstanding Common Stock. Following the repurchase of these shares, Zapata had approximately 29.5 million shares of Common Stock outstanding.

On April 27, 1994, Zapata's stockholders approved a one-for-five reverse stock split of the Company's outstanding Common Stock effective May 3, 1994 that reduced the number of shares of Common Stock outstanding from approximately 158.3 million to approximately 31.7 million. The number of authorized shares remained at 165.0 million and par value of the Common Stock was unchanged.

Under the Company's 1981 Stock Incentive Plan (the "1981 Plan"), options may be granted at prices equivalent to the market value of the Company's Common Stock at the date of the grant. Options become exercisable in annual installments equal to one-third of the shares covered by the grant beginning one year from the grant date. Options not exercised in the period they become exercisable may be carried forward and exercised in subsequent periods.

During 1986, the Company amended and restated the 1981 Plan to provide for the award of restricted shares of Common Stock. All shares of Common Stock awarded to participants as restricted stock are subject to certain conditions. At the time of each award, the Compensation Committee of the Board of Directors (the "Committee") establishes a restricted period of not less than one and not more than five years within which the shares covered by the award cannot be sold, assigned, transferred, pledged or otherwise encumbered. Except for such transfer restrictions, the participant as the owner of such shares has all the rights of a holder of Common Stock, including the right to receive dividends paid on such shares and the right to vote the shares. The total of restricted shares issued and shares issued upon the exercise of options granted under the 1981 Plan cannot exceed 140,000, which was the number of shares authorized for issuance prior to the amendment and restatement. No shares of Common Stock are available for further grants of stock options or awards of restricted stock

under the 1981 Plan. During 1995, options to purchase 18,000 shares under the 1981 Plan were exercised at \$3.13. At September 30, 1995, options to purchase 12,000 shares under the 1981 Plan at \$3.13 were outstanding and exercisable.

Zapata's Special Incentive Plan (the "1987 Plan") provides for the granting of stock options and the awarding of restricted stock. Under the 1987 Plan, options may be granted at prices equivalent to the market value of the Common Stock at the date of grant. Options become exercisable on dates as determined by the Committee, provided that the earliest such date cannot occur before six months after the date of grant. Unexercised options will expire on varying dates, up to a maximum of ten years from the date of grant. The awards of restricted stock have a restriction period of not less than six months and not more than five years. The 1987 Plan provided for the issuance of up to 600,000 shares of the Common Stock. During 1992, the stockholders approved an amendment to the 1987 Plan that provides for the automatic grant of a nonqualified stock option to directors of Zapata who are not employees of Zapata or any subsidiary of Zapata. At September 30, 1995, a total of 203,666 shares of Common Stock were reserved for the future granting of stock options or the awarding of restricted stock under the 1987 Plan. During 1995, options to purchase 80,000 shares under the 1987 Plan at prices ranging from \$3.38 to \$3.94 were granted and options to purchase 120,000 shares at prices ranging from \$3.94 to \$4.22 were cancelled. At September 30, 1995, 132,000 options were outstanding under the 1987 Plan at prices ranging from \$3.13 to \$7.19 and 58,667 options were exercisable.

On December 6, 1990, the Company's stockholders approved a new stock option plan (the "1990 Plan"). The 1990 Plan provides for the granting of nonqualified stock options to key employees of the Company. Under the 1990 Plan, options may be granted by the Committee at prices equivalent to the market value of

ZAPATA CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS--(CONTINUED)

NOTE 9. PREFERRED, PREFERENCE AND COMMON STOCK--(CONTINUED)

the Common Stock on the date of grant. Options become exercisable in one or more installments on such dates as the Committee may determine, provided that such date cannot occur prior to the expiration of one year of continued employment with the Company following the date of grant. Unexercised options will expire on varying dates up to a maximum of ten years from the date of grant. The 1990 Plan provides for the issuance of options to purchase up to 1,000,000 shares of Common Stock. At September 30, 1995, a total of 32,666 shares of Common Stock were reserved for the future granting of stock options under the 1990 Plan. During 1995, options to purchase 621,900 shares under the 1990 Plan at \$3.13 were exercised. At September 30, 1995, a total of 42,000 options at a price of \$3.13 were outstanding and exercisable under the 1990 Plan. No options were granted in 1995 under the 1990 Plan.

NOTE 10. INCOME TAXES

Zapata adopted Statement of Financial Accounting Standards No. 109 ("SFAS 109"), "Accounting for Income Taxes" as of October 1, 1993. The adoption of SFAS 109 changed Zapata's method of accounting for income taxes to the asset and liability approach. This approach requires the recognition of deferred tax assets and liabilities for the expected future tax consequences of existing temporary differences between the financial reporting and tax reporting base of assets and liabilities, and operating loss and tax credit carryforwards for tax purposes. Due to the implementation of the quasi-reorganization as of October 1, 1990, the Company was required to adjust capital in excess of par value for the recognition of deductible temporary differences and credit carryforward items which existed at the date of the quasi-reorganization. Future reductions, if any, in the deferred tax valuation allowance relating to tax attributes that existed at the time of the quasi-reorganization will also be allocated to capital in excess of par value.

Zapata and its domestic subsidiaries file a consolidated U.S. federal income tax return. The provision for income tax expense (benefit) consisted of the following:

	1995	1994	1993
	-----	-----	-----
	(IN THOUSANDS)		
Current			
State.....	\$ 268	\$ 507	\$ 75
U.S.....	--	5,403	619
Deferred			
State.....	(300)	150	--
U.S.....	(3,147)	(6,632)	3,516
	-----	-----	-----
	\$ (3,179)	\$ (572)	\$ 4,210
	=====	=====	=====

Income tax expense (benefit) was allocated to operations as follows:

	1995	1994	1993
	-----	-----	-----
	(IN THOUSANDS)		
Continuing Operations			
Domestic operations.....	\$ (3,676)	\$ (1,812)	\$ 3,135
Foreign operations.....	497	1,240	1,075
	-----	-----	-----
Total.....	(3,179)	(572)	4,210
Discontinued Operations.....	4,579	(2,564)	(560)
	-----	-----	-----
Total.....	\$ 1,400	\$ (3,136)	\$ 3,650
	=====	=====	=====

ZAPATA CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS--(CONTINUED)

NOTE 10. INCOME TAXES--(CONTINUED)

The provision for deferred taxes results from timing differences in the recognition of revenues and expenses for tax and financial reporting purposes. The sources and income tax effects of these differences were as follows:

	1995	1994	1993
	-----	-----	-----
	(IN THOUSANDS)		
Book depreciation in excess of tax depreciation... \$ (4,292)	\$ (1,145)	\$ (1,468)	
Tax deduction related to oil and gas exploration and production over (under) book expenses.....	2,825	(6,277)	(163)
Tax gain in excess of book gain on stock sale.....	(1,650)	(10,116)	(8,065)
Changes to tax carryforwards and other.....	(330)	8,266	13,212
Charge off uncollectible note.....	--	2,790	--
	-----	-----	-----

\$ (3,447)    \$ (6,482)    \$ 3,516  
 =====    =====    =====

For federal income tax purposes, Zapata has \$12.1 million of net operating losses expiring in 2010, \$17.5 million of investment tax credit carryforwards expiring in 1997 through 2001, and \$10.9 million of alternative minimum tax credit carryforwards. The use of some of the tax credits may be limited as a result of a change of ownership as calculated for tax purposes. Investment tax credit carryforwards are reflected in the balance sheet as a reduction of deferred taxes using the flow-through method.

The following table reconciles the income tax provisions for fiscal 1995, 1994 and 1993 computed using the U.S. statutory rate of 35%, 35% and 34%, respectively, to the provisions from continuing operations as reflected in the financial statements.

	1995	1994	1993
	-----	-----	-----
	(IN THOUSANDS)		
Taxes at statutory rate.....	\$ (3,158)	\$ (500)	\$4,987
Recovery of nondeductible book losses.....	--	--	(259)
Amortization of intangibles not deductible for tax....	11	10	--
Other.....	33	(563)	(26)
Equity/dividend income not recognized for tax purposes.....	(33)	(176)	(567)
State taxes.....	(32)	657	75
	-----	-----	-----
	\$ (3,179)	\$ (572)	\$4,210
	=====	=====	=====

ZAPATA CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS--(CONTINUED)

NOTE 10. INCOME TAXES--(CONTINUED)

Temporary differences and tax credit carryforwards that gave rise to significant portions of deferred tax assets and liabilities are as follows:

	SEPTEMBER 30,	
	-----	-----
	1995	1994
	-----	-----
	(IN THOUSANDS)	
Deferred Tax Assets:		
Asset write-downs not yet deductible.....	\$ 4,956	\$ 5,150
Net operating loss carryforwards.....	4,246	--
Investment tax credit carryforwards.....	17,490	17,639
Alternative minimum tax credit carryforwards.....	10,927	11,683
Other.....	2,404	2,555
	-----	-----
Total deferred tax		

assets.....	40,023	37,027
Valuation allowance.....	(16,857)	(19,429)
	-----	-----
Net deferred tax assets.	23,166	17,598
	-----	-----
Deferred Tax Liabilities:		
Property and equipment....	(9,628)	(3,477)
Basis difference on stock investment.....	--	(1,650)
Pension.....	(3,554)	(3,356)
Unrealized investment gain on Tidewater common stock.....	--	(2,302)
Other.....	(3,737)	(3,898)
	-----	-----
Total deferred tax liabilities.....	(16,919)	(14,683)
	-----	-----
Net deferred tax asset..	\$ 6,247	\$ 2,915
	=====	=====

The valuation allowance represents managements estimates of tax carryforwards that may not be ultimately utilized given current facts and circumstances.

#### NOTE 11. COMMITMENTS AND CONTINGENCIES

##### Operating leases payable

Future minimum payments under non-cancelable operating lease obligations aggregate \$5.8 million. The total future minimum rental payments have not been reduced by \$4.1 million of sublease rentals to be received in the future under noncancelable subleases. Future minimum payments, net of sublease rentals, for the five years ending September 30, 2000 are:

	1996	1997	1998	1999	2000
	----	----	----	----	----
	(IN THOUSANDS)				
Lease obligations.....	\$348	\$325	\$310	\$310	\$303

Rental expenses for operating leases were \$1.8 million, \$2.3 million and \$2.4 million in 1995, 1994 and 1993, respectively.

##### Litigation

On August 11, 1995, a purported derivative lawsuit was filed in a case styled Harwin v. Glazer, et al., in the Court of Chancery of the State of Delaware in and for New Castle County. The complaint names the Company and each of its directors as defendants and generally alleges that the Company's directors engaged

#### NOTE 11. COMMITMENTS AND CONTINGENCIES--(CONTINUED)

in conduct constituting breach of fiduciary duty and waste of the Company's assets in connection with the Company's investment in Envirodyne. The complaint alleges, among other things, that the purchase of the Envirodyne common stock from Malcolm Glazer's affiliate was a wrongful expenditure of the Company's funds and was designed to permit Malcolm Glazer to obtain substantial personal

financial advantages to the detriment of the Company. The complaint seeks relief including, among other things, rescission of the Company's purchase of the shares of Envirodyne common stock from the trust controlled by Malcolm Glazer, voiding of the election of Robert V. Leffler, Jr. and W. George Loar (both of whom were elected at the Company's Annual Meeting of Stockholders held on July 27, 1995) and an award of unspecified compensatory damages and expenses, including attorneys' fees. The complaint alleges, among other things, that Messrs. Leffler and Loar (both of whom served on the special committee of the Company's Board of Directors that approved the investment in Envirodyne) lack independence from Malcolm Glazer because, in the case of Mr. Loar, he was employed by a corporation indirectly controlled by Malcolm Glazer until his retirement (which occurred more than five years ago), and in the case of Mr. Leffler, that he has served as a paid consultant to Malcolm Glazer. The Company believes that the complaint and allegations contained therein are without merit and intends to defend the case vigorously.

On November 16, 1995, a petition was filed in the 148th Judicial District Court of Nueces County, Texas by Peter M. Holt, a former director of the Company, and certain of his affiliates who sold their interests in Energy Industries to the Company in November 1993 (collectively, with Mr. Holt, the "Holt Affiliates"). The petition lists the Company, Malcolm Glazer and Avram Glazer as defendants and alleges several causes of action based on alleged misrepresentations on the part of the Company and the other defendants concerning the Company's intent to follow a long-term development strategy focusing its efforts on the natural gas services business. The petition did not allege a breach of any provision of the purchase agreement pursuant to which the Company acquired Energy Industries from the Holt Affiliates, but alleged that various representatives of Zapata and Malcolm Glazer made representations to Mr. Holt regarding Zapata's intention to continue in the natural gas services industry. Among the remedies sought by the petition are the following requests: (i) the Company's repurchase of the approximately 2.8 million shares of Zapata common stock owned by the Holt Affiliates for \$15.6 million, an amount that represents a premium of approximately \$4.7 million, or more than 40%, over the market value of such number of shares based on the closing price of Common Stock on November 16, 1995; (ii) the disgorgement to the Holt Affiliates of Zapata's profit to be made on its sale of Energy Industries; or (iii) money damages based on the alleged lower value of the Common Stock had the alleged misrepresentations not been made. The Company believes that the petition and the allegations made therein are without merit and intends to defend the case vigorously.

Zapata is defending various claims and litigation arising from continuing and discontinued operations. In the opinion of management, uninsured losses, if any, resulting from these matters and from the matters discussed above will not have a material adverse effect on Zapata's results of operations, cash flows or financial position.

#### NOTE 12. FINANCIAL INSTRUMENTS

##### Concentrations of Credit Risk

As indicated in the industry segment information which appears in Note 16, the market for the Company's services and products is primarily related to the marine protein operations whose customers consist primarily of domestic feed producers. The Company performs ongoing credit evaluations of its customers and generally does not require material collateral. The Company maintains reserves for potential credit losses, and such losses have been within management's expectations.

At September 30, 1995 and 1994 the Company had cash deposits concentrated primarily in three major banks. In addition, the Company had certificates of deposits, commercial paper and Eurodollar time deposits with a variety of companies and financial institutions with strong credit ratings. As a result of the foregoing, the Company believes that credit risk in such instruments is minimal.

NOTE 13. BENEFIT PLANS

Qualified Defined Benefit Plans

Zapata has two noncontributory defined benefit pension plans covering certain U.S. employees. Plan benefits are generally based on employees' years of service and compensation level. All of the costs of these plans are borne by Zapata. The plans have adopted an excess benefit formula integrated with covered compensation. Participants are 100% vested in the accrued benefit after five years of service.

Net pension credits for 1995, 1994 and 1993 included the following components:

	1995	1994	1993
	-----	-----	-----
	(IN THOUSANDS)		
Service cost--benefits earned during the year...	\$ 567	\$ 692	\$ 660
Interest cost on projected benefit obligations..	2,354	2,278	1,982
Actual loss (gain) on plan assets.....	(6,452)	(2,730)	1,028
Amortization of transition assets and other deferrals.....	2,864	(546)	(5,445)
	-----	-----	-----
Net pension credit.....	\$ (667)	\$ (306)	\$ (1,775)
	=====	=====	=====

The Company's funding policy is to make contributions as required by applicable regulations. No contributions to the plans have been required since 1984. The plans' funded status and amounts recognized in the Company's balance sheet at September 30, 1995 and 1994 are presented below:

	1995	1994
	-----	-----
	(IN THOUSANDS)	
Fair value of plan assets.....	\$43,242	\$38,899
	-----	-----
Actuarial present value of benefit obligations:		
Vested benefits.....	33,664	31,503
Nonvested benefits.....	348	782
	-----	-----
Accumulated benefit obligation.....	34,012	32,285
Additional benefits based on projected salary increases.....	1,741	2,126
	-----	-----
Projected benefit obligations.....	35,753	34,411
	-----	-----
Excess of plan assets over projected benefit obligations.....	7,489	4,488
Unrecognized transition asset.....	(5,861)	(6,698)
Unrecognized prior service cost.....	123	151
Unrecognized net loss.....	8,404	11,547
	-----	-----

Prepaid pension cost..... \$10,155 \$ 9,488  
=====

The unrecognized transition assets at October 1, 1987, was \$10.6 million, which is being amortized over 15 years. For 1995 and 1994 the actuarial present value of the projected benefit obligation was based on a 4.75% weighted average annual increase in salary levels and a 7.5% discount rate. Pension plan assets are

ZAPATA CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS--(CONTINUED)

NOTE 13. BENEFIT PLANS--(CONTINUED)

invested in cash, common and preferred stocks, short-term investments and insurance contracts. The projected long-term rate of return on plan assets was 9.0% in 1995 and 1994. The unrecognized net loss of \$8.4 million at September 30, 1995 is expected to be reduced by future returns on plan assets and through decreases in future net pension credits.

In 1986, Zapata terminated the Dredging Pension Plan (the "Dredging Plan") in connection with the sale of the assets of its dredging operations. Annuities were purchased with Executive Life Insurance Co. ("Executive Life") for terminated participants of the Dredging Plan. Subsequently Executive Life experienced financial difficulties resulting in a reduction of payments to the former participants of the Dredging Plan. The Company has negotiated a settlement with the U.S. Department of Labor that the Zapata Corporation Pension Plan would assume the liability associated with the reduction in benefits of the Dredging Plan participants. The settlement is subject to approval of the Internal Revenue Service. The accumulated benefit obligation at September 30, 1995 that would be assumed by the plan is estimated to be \$2.3 million, of which \$1.4 million has been expensed in the 1994 income statement as other expense.

Supplemental Retirement Plan

Effective April 1, 1992, Zapata adopted a supplemental pension plan, which provides supplemental retirement payments to senior executives of Zapata. The amounts of such payments will be equal to the difference between the amounts received under the applicable pension plan, and the amounts that would otherwise be received if pension plan payments were not reduced as the result of the limitations upon compensation and benefits imposed by federal law. Effective December 1994, the supplemental pension plan was frozen.

For 1994 and 1993, the actuarial present value of the projected benefit obligations was based on weighted-average annual increase in salary levels of 2.1%. For 1995, 1994 and 1993 the discount rate was 7.5%.

Net pension expense for 1995, 1994 and 1993 included the following components:

	1995	1994	1993
	----	----	----
	(IN THOUSANDS)		
Service cost--benefits earned during the year.....	\$--	\$ 68	\$ 86
Interest cost on projected benefit obligations.....	67	72	53
Amortization of prior service cost.....	--	487	87
	---	----	----
Net pension expense.....	\$67	\$627	\$226
	===	=====	=====

## ZAPATA CORPORATION

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS--(CONTINUED)

## NOTE 13. BENEFIT PLANS--(CONTINUED)

No contributions to the plan have been required since the plan is unfunded. The plan's funded status and amounts recognized in the Company's balance sheet at September 30, 1995 and 1994 are presented below:

	1995	1994
	-----	-----
	(IN THOUSANDS)	
Fair value of plan assets.....	\$ --	\$ --
	-----	-----
Actuarial present value of benefit obligations:		
Vested benefits.....	950	935
Nonvested benefits.....	--	--
	-----	-----
Accumulated benefit obligation.....	950	935
Additional benefits based on projected salary increases...	--	--
	-----	-----
Projected benefit obligation.....	950	935
	-----	-----
Excess of projected benefit obligations over plan assets....	(950)	(935)
Unrecognized net loss.....	--	--
Unrecognized prior service costs.....	--	--
Additional minimum liability.....	--	--
	-----	-----
Unfunded accrued liability.....	\$ (950)	\$ (935)
	=====	=====

## Qualified Defined Contribution Plan

The Company sponsors a defined contribution plan, the Zapata Profit Sharing Plan (the "Plan"), for certain eligible employees of the Company. Effective October 1, 1994, the Company merged a defined contribution plan of Zapata Protein with and into the Plan. The Company's combined contributions to these plans totalled \$573,225, \$577,903 and \$473,034 in 1995, 1994 and 1993, respectively. The Company's contributions are based on employee earnings and contributions.

## NOTE 14. RELATED PARTY TRANSACTIONS

In August 1995, Zapata acquired 31% of the outstanding common stock of Envirodyne for \$18.8 million from a trust controlled by Malcolm Glazer, Chairman of the Board of Zapata and a director of Envirodyne. Zapata paid the purchase price by issuing to the seller a subordinated promissory note bearing interest at prime and maturing in August 1997, subject to prepayment at the Company's option. The Company has since prepaid approximately \$15.6 million on the promissory note.

During 1995 and 1994, Zapata made purchases totalling \$10.4 million and \$7.3 million from a company owned by a shareholder and former director of Zapata. At September 30, 1995, Zapata owed \$326,000 related to these purchases.

Zapata received \$7,000, \$317,000 and \$249,000 in 1995, 1994 and 1993, respectively, from a former director of the Company for use of the Company's

executive aircraft under an arrangement which provided for full recovery of expenses associated with such use.

During 1995, 1994 and 1993, Zapata received \$24,000, \$104,000 and \$31,000, respectively, from Norex associated with an administrative services arrangement pursuant to which Zapata provided office space and certain administrative services to Norex. See Note 7 and Note 9 for discussions of additional transactions with Norex.

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ZAPATA CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS--(CONTINUED)

NOTE 15. OIL AND GAS OPERATIONS (UNAUDITED)

The following information concerning Zapata's oil and gas operations has been prepared in accordance with Statement of Financial Accounting Standards No. 69, "Disclosures about Oil and Gas Producing Activities" ("SFAS No. 69"), and applicable Securities and Exchange Commission (the "SEC") regulations.

In September 1994, Zapata's Board of Directors announced that the Company would immediately undertake efforts to sell its U.S. natural gas producing properties. The six properties in the Gulf of Mexico, representing Zapata's domestic oil and gas producing operations, were sold during fiscal 1995. The Company completed the sale of its domestic properties in August 1995. Zapata received cash of \$4.0 million and recorded an \$8.9 million receivable representing (i) a production payment entitling Zapata to a share of revenues from certain properties and (ii) a share of future proceeds from a revenue sharing agreement. No gain or loss was recorded from the sales. The decision to sell its U.S. natural gas producing properties did not impact Zapata's Bolivian oil and gas operations.

The information concerning capitalized costs of oil and gas properties, costs incurred in property acquisition, exploration and development, and operating results from oil and gas producing activities is taken from Zapata's accounting records with the exception of income taxes. Income tax provisions are calculated using statutory tax rates and reflect permanent differences and tax credits and allowances relating to oil and gas operations that are reflected in the Company's consolidated income tax provision for each period. The pretax income from oil and gas producing activities does not agree with the oil and gas operations operating income in the industry segment information in Note 16 due to the exclusion of certain nonoperating expenses from the information shown as required by SFAS No. 69.

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ZAPATA CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS--(CONTINUED)

NOTE 15. OIL AND GAS OPERATIONS (UNAUDITED)--(CONTINUED)

CAPITALIZED COSTS OF OIL AND GAS PROPERTIES

UNITED STATES	BOLIVIA	TOTAL
-----	-----	-----
(IN THOUSANDS)		

1995  
Capitalized costs

Evaluated properties.....	\$	--	\$3,359	\$	3,359
Accumulated depreciation, depletion and amortization.....		--	(245)		(245)
Net capitalized costs.....	\$	--	\$3,114	\$	3,114
			=====		=====
1994					
Capitalized costs					
Evaluated properties.....	\$	74,872	\$2,194	\$	77,066
Accumulated depreciation, depletion and amortization.....		(60,794)	(55)		(60,849)
Net capitalized costs.....	\$	14,078	\$2,139	\$	16,217
			=====		=====

COSTS INCURRED IN PROPERTY ACQUISITION,  
EXPLORATION AND DEVELOPMENT ACTIVITIES

	UNITED STATES	BOLIVIA	TOTAL		
	-----	-----	-----		
	(IN THOUSANDS)				
1995					
Expenditures:					
Acquisition of unproved properties.....	\$	--	\$ 103	\$	103
Development.....		335	1,061		1,396
Sale of proved properties.....		(11,732)	--		(11,732)
			-----		-----
	\$	(11,397)	\$1,164	\$	(10,233)
			=====		=====
1994					
Expenditures:					
Development.....	\$	9,598	\$2,194	\$	11,792
			=====		=====
1993					
Expenditures:					
Acquisition of unproved properties.....	\$	12	\$ --	\$	12
Development.....		(466)	--		(466)
			-----		-----
	\$	(454)	\$ --	\$	(454)
			=====		=====

ZAPATA CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS--(CONTINUED)

NOTE 15. OIL AND GAS OPERATIONS (UNAUDITED)--(CONTINUED)  
RESULTS OF OPERATIONS FOR OIL AND GAS PRODUCING ACTIVITIES

	UNITED STATES	BOLIVIA	TOTAL		
	-----	-----	-----		
	(IN THOUSANDS)				
1995					
Revenues.....	\$	5,400	\$2,709	\$	8,109

Production costs.....	3,156	1,097	4,253
Depreciation, depletion and amortization.....	2,666	190	2,856
	-----	-----	-----
Income before income taxes*.....	(422)	1,422	1,000
Income taxes.....	(143)	483	340
	-----	-----	-----
Net income (loss)*.....	\$ (279)	\$ 939	\$ 660
	=====	=====	=====
1994			
Revenues.....	\$ 8,432	\$4,117	\$ 12,549
Production costs.....	5,750	518	6,268
Depreciation, depletion and amortization.....	33,715	55	33,770
	-----	-----	-----
Income before income taxes*.....	(31,033)	3,544	(27,489)
Income taxes.....	(10,551)	1,205	(9,346)
	-----	-----	-----
Net income (loss)*.....	\$ (20,482)	\$2,339	\$ (18,143)
	=====	=====	=====
1993			
Revenues.....	\$ 17,011	\$3,178	\$ 20,189
Production costs.....	5,642	107	5,749
Depreciation, depletion and amortization.....	7,688	--	7,688
	-----	-----	-----
Income before income taxes*.....	3,681	3,071	6,752
Income taxes.....	1,252	1,044	2,296
	-----	-----	-----
Net income*.....	\$ 2,429	\$2,027	\$ 4,456
	=====	=====	=====

\* Before deducting selling, general, administrative and interest expenses.

#### Oil and gas reserves

During fiscal 1995, the Company sold its U.S. oil and gas properties in the Gulf of Mexico for \$12.9 million which equalled the net book values of the properties.

The following table contains estimates of proved oil and gas reserves attributable to Zapata's interest in oil and gas properties, which were prepared primarily by independent petroleum reserve engineers (Huddleston & Co., Inc.). Proved reserves are the estimated quantities of natural gas and liquids (crude oil and condensate) which, based on analysis of geological and engineering data, appear with reasonable certainty to be recoverable in future years from known reservoirs under existing economic and operating conditions, i.e., prices and costs as of the date the estimate is made. Reservoirs are considered proved if economic productivity is supported by actual production or conclusive formation testing. Proved developed reserves are reserves that can be expected to be recovered through existing wells with existing equipment and operating methods.

It should be stressed that these reserve quantities are estimates and may be subject to substantial upward or downward revisions as indicated by past experience. The estimates are based on the most current and reliable information available; however, additional information obtained through future production

#### ZAPATA CORPORATION

#### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS--(CONTINUED)

#### NOTE 15. OIL AND GAS OPERATIONS (UNAUDITED)--(CONTINUED)

experience and additional development of existing reservoirs may significantly alter previous estimates of proved reserves. Future changes in the level of hydrocarbon prices relative to the costs to develop and produce reserves can

also result in substantial revisions to proved reserve estimates.

These estimates relate only to those reserves which meet the SEC's definition of proved reserves and do not consider probable reserves and the likelihood of their recovery which, if considered, could result in substantial increases in reported reserves. Future secondary recovery efforts could also yield additional reserves.

NATURAL GAS AND LIQUIDS RESERVES

	UNITED STATES		BOLIVIA		TOTAL	
	LIQUIDS	GAS	LIQUIDS	GAS	LIQUIDS	GAS
(LIQUIDS IN MILLIONS OF BARRELS, GAS IN BILLIONS OF CUBIC FEET)						
Proved reserves as of						
September 30, 1992.....	.4	48.5	.7	21.2	1.1	69.7
Revisions of previous estimates...	--	(1.1)	--	3.0	--	1.9
Production.....	--	(7.0)	--	(1.7)	--	(8.7)
Purchase of reserves in place.....	--	.4	--	--	--	.4
	---	-----	---	----	---	-----
Proved reserves as of						
September 30, 1993.....	.4	40.8	.7	22.5	1.1	63.3
Revisions of previous estimates...	.1	(2.8)	.1	6.7	.2	3.9
Production.....	(.1)	(3.3)	(.1)	(1.9)	(.2)	(5.2)
	---	-----	---	----	---	-----
Proved reserves as of						
September 30, 1994.....	.4	34.7	.7	27.3	1.1	62.0
Revisions of previous estimates...	--	--	--	3.9	--	3.9
Production.....	(.1)	(3.0)	--	(1.7)	(.1)	(4.7)
Sale of reserves in place.....	(.3)	(31.7)	--	--	(.3)	(31.7)
	---	-----	---	----	---	-----
Proved reserves as of						
September 30, 1995.....	--	--	.7	29.5	.7	29.5
	===	=====	===	=====	===	=====
Proved developed reserves as of						
September 30, 1993.....	.2	28.2	.7	22.5	.9	50.7
September 30, 1994.....	.2	27.4	.7	27.3	.9	54.7
September 30, 1995.....	--	--	.7	29.5	.7	29.5

Standardized measure of discounted future net cash flows

The information presented below concerning the net present value of after-tax cash flows for Zapata's oil and gas producing operations is required by SFAS No. 69 in an attempt to make comparable information concerning oil and gas producing operations available for financial statement users. The information is based on proved reserves as of September 30 for each fiscal year and has been prepared in the following manner:

1. Estimates were made of the future periods in which proved reserves would be produced based on year-end economic conditions.
2. The estimated future production streams of proved reserves have been priced using year-end prices with the exception that future prices of gas have been increased for fixed and determinable escalation provisions in existing contracts.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS--(CONTINUED)

NOTE 15. OIL AND GAS OPERATIONS (UNAUDITED)--(CONTINUED)

3. The resulting future gross cash inflows have been reduced by the estimated future costs to develop and produce the proved reserves at year-end cost levels.

4. Income tax payments have been computed at statutory rates based on the net future cash inflows, the remaining tax basis in oil and gas properties and permanent differences between book and tax income and tax credits or other tax benefits available related to the oil and gas operations.

5. The resulting after-tax future net cash flows are discounted to present value amounts by applying a 10% annual discount factor.

Effective April 1, 1984, the Company changed from accrual to cash basis revenue recognition for sales from its Bolivia properties in light of economic and political conditions in Bolivia. Based on the Bolivian oil and gas company's performance under renegotiated contracts and improved operating conditions, Zapata returned to the accrual method of accounting for its Bolivian oil and gas operations in fiscal 1994. In 1994 Zapata participated in drilling two exploratory wells in its Bolivian operation. In 1995, Zapata participated in drilling an additional exploratory well. The standardized measure information below excludes cash flow information relating to the Bolivian properties prior to 1994.

The net present value of future cash flows, computed as prescribed by SFAS No. 69, should not be construed as the fair value of Zapata's oil and gas operations. The computation is based on assumptions that in some cases may not be realistic and estimates that are subject to substantial uncertainties. Since the discounted cash flows are based on proved reserves as defined by the SEC, they are subject to the same uncertainties and limitations inherent in the reserve estimates, which include among others, no consideration of probable reserves and stable hydrocarbon prices at year-end levels. The use of a 10% discount factor by all companies does not provide a basis for quantifying differences in risk with respect to oil and gas operations among different companies. The computations also ignore the impact future exploration and development activities may have on profitability.

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ZAPATA CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS--(CONTINUED)

NOTE 15. OIL AND GAS OPERATIONS (UNAUDITED)--(CONTINUED)

STANDARDIZED MEASURE OF DISCOUNTED FUTURE NET CASH FLOWS  
RELATING TO PROVED RESERVES

	UNITED STATES	BOLIVIA	TOTAL
	-----	-----	-----
	(IN THOUSANDS)		
1995			
Estimated future cash flows			
Revenues from hydrocarbon sales.....	\$ --	\$46,512	\$ 46,512
Production costs.....	--	18,621	18,621
Development costs.....	--	775	775
	-----	-----	-----
Future net cash flows before income taxes.....	--	27,116	27,116
Estimated income tax payments.....	--	8,356	8,356

Future net cash flows.....	--	18,760	18,760
10% discount.....	--	8,359	8,359
-----			
Standardized measure of discounted future net cash flows.....	\$ --	\$10,401	\$ 10,401
=====			
1994			
Estimated future cash flows			
Revenues from hydrocarbon sales.....	\$ 51,380	\$44,473	\$ 95,853
Production costs.....	19,132	12,010	31,142
Development costs.....	7,899	825	8,724
Dismantlement and abandonment.....	7,924		7,924
-----			
Future net cash flows before income taxes.....	16,425	31,638	48,063
Estimated income tax payments.....	941	10,165	11,106
-----			
Future net cash flows.....	15,484	21,473	36,957
10% discount.....	1,570	10,142	11,712
-----			
Standardized measure of discounted future net cash flows.....	\$ 13,914	\$11,331	\$ 25,245
=====			
1993			
Estimated future cash flows			
Revenues from hydrocarbon sales.....	\$104,889	\$ --	\$104,889
Production costs.....	28,399	--	28,399
Development costs.....	14,960	--	14,960
-----			
Future net cash flows before income taxes.....	61,530	--	61,530
Estimated income tax payments.....	11,283	--	11,283
-----			
Future net cash flows.....	50,247	--	50,247
10% discount.....	12,345	--	12,345
-----			
Standardized measure of discounted future net cash flows.....	\$ 37,902	\$ --	\$ 37,902
=====			

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ZAPATA CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS--(CONTINUED)

NOTE 15. OIL AND GAS OPERATIONS (UNAUDITED)--(CONTINUED)

CHANGES IN STANDARDIZED MEASURE OF DISCOUNTED FUTURE NET CASH FLOWS RELATING TO PROVED RESERVES

	1995	1994	1993
	-----	-----	-----
	(IN THOUSANDS)		
Standardized measure, beginning of year--U.S.....	\$ 13,914	\$ 37,902	\$ 47,002
Standardized measure, beginning of year--Bolivia.	11,331	10,312	--
Change in sales prices, net of production costs.....	(4,267)	(24,990)	8,163
Costs incurred or transferred into the amortization pool during the period that reduced estimated future development costs....	825	4,975	--
Changes in estimated future development and abandonment costs.....	9,493	(4,638)	(4,679)

Sales, net of production costs.....	(3,856)	(6,281)	(11,369)
Revisions of quantity estimates.....	2,020	3,243	(1,800)
Purchase (sales) of reserves in-place.....	(29,399)		1,098
Accretion of discount.....	3,032	4,283	5,397
Net change in income taxes.....	1,023	(149)	2,048
Changes in production rates and other.....	6,285	588	(7,958)
	-----	-----	-----
Standardized measure, end of year.....	\$ 10,401	\$ 25,245	\$ 37,902
	=====	=====	=====

NOTE 16. INDUSTRY SEGMENT AND GEOGRAPHIC INFORMATION (UNAUDITED)

Zapata's continuing businesses are comprised of two industry segments operating in the U.S. and one foreign country. The marine protein segment is engaged in menhaden fishing for the production of fish meal and fish oil in the U.S. The oil and gas segment was engaged in the production of crude oil and natural gas in the U.S. and Bolivia. In 1995, the Company sold its domestic oil and gas properties; the Bolivian operations were retained. Export sales of fish oil and fish meal were approximately \$26.7 million, \$25.8 million and \$12.8 million in 1995, 1994 and 1993, respectively. Such sales were made primarily to European markets. In 1995, net sales to one customer by the marine protein segment were approximately \$12.3 million.

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ZAPATA CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS--(CONTINUED)

NOTE 16. INDUSTRY SEGMENT AND GEOGRAPHIC INFORMATION (UNAUDITED)--(CONTINUED)

INDUSTRY SEGMENT INFORMATION

YEAR ENDED SEPTEMBER 30,	REVENUES	OPERATING INCOME (LOSS)	IDENTIFIABLE ASSETS	DEPRECIATION, DEPLETION AND AMORTIZATION	CAPITAL EXPENDITURES
-----					
(IN THOUSANDS)					
-----					
1995					
Marine protein.....	\$ 94,959	\$ (6,437) (1)	\$ 85,012	\$14,977 (1)	\$ 5,573
Oil and gas.....	8,109	658	13,571	2,856	1,767
Corporate.....	--	(3,441)	38,914	115	1
	-----	-----	-----	-----	-----
	\$103,068	\$ (9,220)	\$137,497	\$17,948	\$ 7,341
	=====	=====	=====	=====	=====
1994					
Marine protein.....	\$ 96,614	\$ 5,445	\$ 87,565	\$ 4,535	\$ 3,671
Oil and gas.....	12,549	(28,285) (3)	20,062	33,770 (3)	11,792
Corporate.....	--	(8,767)	44,044 (2)	2,321	67
	-----	-----	-----	-----	-----
	\$109,163	\$ (31,607)	\$151,671	\$40,626	\$15,530
	=====	=====	=====	=====	=====
1993					
Marine protein.....	\$ 58,565	\$ 4,296	\$ 92,728	\$ 4,510	\$ 1,477
Oil and gas.....	20,189	6,032	41,630	7,688	1,327
Corporate.....	--	(6,769)	169,888 (2)	378	8
	-----	-----	-----	-----	-----
	\$ 78,754	\$ 3,559	\$304,246	\$12,576	\$ 2,812
	=====	=====	=====	=====	=====

- (1) Includes a \$12.3 million provision for asset impairment to reduce the marine protein assets to their fair market value as a result of adopting SFAS 121.
- (2) Includes Zapata's investment in Tidewater. See Note 6.
- (3) Includes a \$29.2 million provision for oil and gas property valuation required as a result of low gas prices and a revision of estimated future

costs.

ZAPATA CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS-- (CONTINUED)

NOTE 17. QUARTERLY FINANCIAL DATA (UNAUDITED)

CONSOLIDATED QUARTERLY INFORMATION

	THREE MONTHS ENDED			
	DEC. 31	MAR. 31	JUN. 30	SEP. 30
	(IN THOUSANDS, EXCEPT PER SHARE AMOUNTS)			
FISCAL 1995				
Revenues.....	\$22,357	\$22,237	\$ 24,199	\$ 34,275
Operating income (loss).....	\$ 311	\$ (202)	\$ (11,129) (2)	\$ 1,800
Other income (expense), net...	145	4,434 (1)	(382)	(4,000) (4)
Provision (benefit) for income taxes.....	181	1,518	(3,964)	(914)
Income (loss) from continuing operations.....	275	2,714	(7,547)	(1,286)
Income (loss) from discontinued operations.....	473	217	405	56
Reversal of reserve for loss on disposition, net of income taxes.....	--	--	8,897 (3)	--
Net income (loss).....	\$ 748	\$ 2,931	\$ 1,755	\$ (1,230)
Per share:				
Income (loss) from continuing operations.....	\$ 0.01	\$ 0.08	\$ (0.25)	\$ (0.04)
Income from discontinued operations.....	0.01	0.01	0.31	--
Net income (loss).....	\$ 0.02	\$ 0.09	\$ 0.06	\$ (0.04)
FISCAL 1994				
Revenues.....	\$24,126	\$24,739	\$ 22,729	\$ 37,569
Operating income (loss).....	\$ 606	\$ 692	\$ (18,045) (7)	\$ (14,860) (8)
Other income (expense), net...	26,445 (5)	3,382 (6)	2,437	(2,086)
Provision (benefit) for income taxes.....	9,526	1,668	(5,393)	(6,373)
Income (loss) from continuing operations.....	17,525	2,406	(10,215)	(10,573)
Income (loss) from discontinued operations.....	(197)	(134)	641	1,125
Loss on disposition, net of income taxes.....	--	--	--	(8,897) (9)
Net income (loss).....	\$17,328	\$ 2,272	\$ (9,574)	\$ (18,345)
Per share:				
Income (loss) from continuing				

operations.....	\$ 0.56	\$ 0.07	\$ (0.33)	\$ (0.34)
Income (loss) from discontinued operations.....	--	--	0.02	(0.24)
	-----	-----	-----	-----
Net income (loss).....	\$ 0.56	\$ 0.07	\$ (0.31)	\$ (0.58)
	=====	=====	=====	=====

- -----
- (1) Includes a pretax gain of \$4.8 million from the sale of 673,077 shares of Tidewater common stock.
  - (2) Includes a \$12.3 million pretax provision for asset impairment to reduce the marine protein assets to their estimated fair market value that was recorded in the third and fourth fiscal quarters.
  - (3) Includes the reversal of an \$8.9 million after-tax loss due to the decision to retain Zapata Protein.
  - (4) Includes a \$2.8 million write-down of an investment in Warehouse Entertainment, Inc. debentures.
  - (5) Includes a pretax gain of \$33.9 million from the sale of 3.75 million shares of Tidewater common stock and a \$6.8 million prepayment penalty in connection with the partial prepayment of Zapata's indebtedness to Norex.
  - (6) Includes a pretax gain of \$3.6 million from the sale of 375,175 shares of Tidewater common stock.
  - (7) Includes an \$18.8 million valuation provision for oil and gas property valuation.
  - (8) Includes a \$10.4 million valuation provision for oil and gas property valuation.
  - (9) Includes the estimated loss to be realized on disposal of the marine protein operations.

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ZAPATA CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS--(CONTINUED)

NOTE 18. SUBSEQUENT EVENT

On December 15, 1995, Zapata completed the Energy Industries Sale after receiving stockholder approval. Pursuant to the Purchase Agreement, Weatherford Enterra purchased from the Company all of the assets of Energy Industries. Consideration received by the Company was approximately \$131 million in cash and the assumption of certain current liabilities of Energy Industries by Weatherford Enterra, subject to final post-closing adjustments. The cash portion of the consideration represented a purchase price of \$130 million, as adjusted by a closing date net adjustment provided for in the Purchase Agreement. The Energy Industries Sale will result in an after-tax book gain of approximately \$14.0 million which will be recognized by the Company in fiscal 1996.

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ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE.

On February 23, 1994, the Board of Directors of Zapata Corporation decided to change the Company's principal independent accountants from Arthur Andersen & Co. ("Arthur Andersen") to Coopers & Lybrand L.L.P. During the Company's two most recently-completed fiscal years and the subsequent interim period preceding such change there were no disagreements with Arthur Andersen on any matters of accounting principles or practice, financial statement disclosure, or auditing scope or procedure, which, if not resolved to the satisfaction of Arthur Andersen, would have caused it to make a reference to the subject matter of the disagreement in connection with its report. Arthur Andersen's report on the Company's financial statements for the two years prior to dismissal did not contain an adverse opinion or a disclaimer of opinion, nor was it qualified or modified as to uncertainty, audit scope or accounting principles.

PART III

ITEM 10. DIRECTORS AND EXECUTIVE OFFICERS OF THE REGISTRANT.

Pursuant to General Instruction G of Form 10-K, the information called for by Item 10 of Part III of Form 10-K is incorporated by reference to the information set forth in the Company's definitive proxy statement relating to the 1996 Annual Meeting of Stockholders of the Company (the "1996 Proxy Statement") to be filed pursuant to Regulation 14A under the Securities Exchange Act of 1934, as amended (the "Exchange Act"), in response to Items 401 and 405 of Regulation S-K under the Securities Act of 1933, as amended, and the Exchange Act ("Regulation S-K"), or if the 1996 Proxy Statement is not so filed within 120 days after September 30, 1995 such information will be included in an amendment to this report filed not later than the end of such period. Reference is also made to the information appearing in Item 1 of Part I of this Annual Report on Form 10-K under the caption "Business and Properties--Executive Officers of the Registrant."

ITEM 11. EXECUTIVE COMPENSATION.

Pursuant to General Instruction G of Form 10-K, the information called for by Item 11 of Part III of Form 10-K is incorporated by reference to the information set forth in the 1996 Proxy Statement in response to Item 402 of Regulation S-K, or if the 1996 Proxy Statement is not so filed within 120 days after September 30, 1995 such information will be included in an amendment to this report filed not later than the end of such period.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT.

Pursuant to General Instruction G of Form 10-K, the information called for by Item 12 of Part III of Form 10-K is incorporated by reference to the information set forth in the 1996 Proxy Statement in response to Item 403 of Regulation S-K, or if the 1996 Proxy Statement is not so filed within 120 days after September 30, 1995 such information will be included in an amendment to this report filed not later than the end of such period.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS.

Pursuant to General Instruction G of Form 10-K, the information called for by Item 13 of Part III of Form 10-K is incorporated by reference to the information set forth in the 1996 Proxy Statement in response to Item 404 of Regulation S-K, or if the 1996 Proxy Statement is not so filed within 120 days after September 30, 1995 such information will be included in an amendment to this report filed not later than the end of such period.

PART IV

ITEM 14. EXHIBITS, FINANCIAL STATEMENT SCHEDULES AND REPORTS ON FORM 8-K.

(A) LIST OF DOCUMENTS FILED.

	PAGE
	----
(1) Consolidated financial statements, Zapata Corporation and subsidiary companies--	
Report of Coopers & Lybrand L.L.P., independent public accountants...	23
Report of Arthur Andersen LLP independent public accountants, dated December 17, 1993.....	24
Consolidated balance sheet--September 30, 1995 and 1994.....	25
Consolidated statement of operations for the years ended September	

30, 1995, 1994 and 1993.....	27
Consolidated statement of cash flows for the years ended September 30, 1995, 1994 and 1993.....	28
Consolidated statement of stockholders' equity for the years ended September 30, 1995, 1994 and 1993.....	29
Notes to consolidated financial statements.....	30
(2) Supplemental Schedule:	
Report of Coopers & Lybrand L.L.P., independent public accountants... I--Zapata Corporation (parent company financial statements) as of and for the years ended September 30, 1995 and 1994.....	65
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All schedules, except those listed above, have been omitted since the information required to be submitted has been included in the financial statements or notes or has been omitted as not applicable or not required.

(3) Exhibits

The exhibits indicated by an asterisk (\*) are incorporated by reference.

EXHIBIT NUMBER -----	DESCRIPTION OF EXHIBIT -----
2(a)*	--Agreement dated as of September 20, 1995 by and among Zapata Corporation, Energy Industries, Inc., Zapata Energy Industries, L. P., Enterra Corporation and Enterra Compression Company (Exhibit 2 to Current Report on Form 8-K dated September 20, 1995 (File No. 1-4219)).
3(a)*	--Restated Certificate of Incorporation of Zapata filed with Secretary of State of Delaware May 3, 1994 (Exhibit 3(a) to Current Report on Form 8-K dated April 27, 1994 (File No. 1-4219)).
3(b)*	--Certificate of Designation, Preferences and Rights of \$1 Preference Stock (Exhibit 3(c) to Zapata's Quarterly Report on Form 10-Q for the fiscal quarter ended March 31, 1993 (File No. 1-4219)).
3(c)*	--Certificate of Designation, Preferences and Rights of \$100 Preference Stock (Exhibit 3(d) to Zapata's Quarterly Report on Form 10-Q for the fiscal quarter ended March 31, 1993 (File No. 1-4219)).
3(d)	--By-laws of Zapata, as amended effective November 21, 1995.
4(a)*	--Second Amended and Restated Master Restructuring Agreement, dated as of April 16, 1993, between Zapata and Norex Drilling Ltd. (Exhibit 12 to Zapata's Amendment No. 3 to Schedule 13D dated April 30, 1993).
4(b)*	--First Amendment to Second Amended and Restated Master Restructuring Agreement dated as of May 17, 1993 between Zapata and Norex Drilling Ltd. (Exhibit 4(c) to Zapata's Registration Statement on Form S-1 (File No. 33-68034)).

EXHIBIT NUMBER -----	DESCRIPTION OF EXHIBIT -----
4(c)*	--Second Amendment to Second Amended and Restated Master Restructuring Agreement, dated as of December 17, 1993, between Zapata and Norex Drilling Ltd. (Exhibit 4(c) to Zapata's Annual Report on Form 10-K for the fiscal year ended September 30, 1993 (File No. 1-4219)).

- 4(d)\* --Securities Liquidity Agreement, dated as of December 19, 1990, by and among Zapata and each of the securities holders party thereto (Exhibit 4(b) to Zapata's Annual Report on Form 10-K for the fiscal year ended September 30, 1990 (File No. 1-4219)).
- 4(e)\* --Consent Letter and Waiver dated as of March 7, 1995, by and between Norex America, Inc. and Zapata (Exhibit 4(e) to Zapata's Quarterly Report on Form 10-Q for the fiscal quarter ended March 31, 1995 (File No. 1-4219)).

Certain instruments respecting long-term debt of Zapata and its subsidiaries have been omitted pursuant to Regulation S-K, Item 601. Zapata hereby agrees to furnish a copy of any such instrument to the Commission upon request.

- 10(a)\*+ --Zapata 1990 Stock Option Plan (Exhibit 10(b) to Zapata's Annual Report on Form 10-K for the fiscal year ended September 30, 1990 (File No. 1-4219)).
- 10(b)\*+ --First Amendment to Zapata 1990 Stock Option Plan (Exhibit 10(c) to Zapata's Registration Statement on Form S-1 (Registration No. 33-40286)).
- 10(c)\*+ --Zapata Special Incentive Plan, as amended and restated effective February 6, 1992 (Exhibit 10(a) to Zapata's Quarterly Report on Form 10-Q for the quarter ended March 31, 1992 (File No. 1-4219)).
- 10(d)\*+ --Zapata 1981 Stock Incentive Plan, as amended and restated effective February 12, 1986 (Exhibit 19(a) to Zapata's Quarterly Report on Form 10-Q for the fiscal quarter ended March 31, 1986 (File No. 1-4219)).
- 10(e)\*+ --Zapata Supplemental Pension Plan effective as of April 1, 1992 (Exhibit 10(b) to Zapata's Quarterly Report on Form 10-Q for the quarter ended March 31, 1992 (File No. 1-4219)).
- 10(f)\*+ --Zapata Annual Incentive Plan effective January 1, 1991 (Exhibit 10(h) to Zapata's Registration Statement on Form S-1 (Registration No. 33-40286)).
- 10(g)\*+ --Cimarron Gas Companies, Inc. Incentive Appreciation Plan, effective as of September 30, 1992 (Exhibit 2(c) to Zapata's Current Report on Form 8-K dated November 24, 1992 (File No. 1-4219)).
- 10(h)\*+ --Noncompetition Agreement dated as of November 9, 1993 by and among Zapata and Peter M. Holt and Benjamin D. Holt, Jr. (Exhibit 10(q) to Zapata's Annual Report on form 10-K for the fiscal year ended September 30, 1994 (File No. 1-4219)).
- 10(i)\*+ --Termination Agreement between Cimarron Gas Companies, Inc. and James C. Jewett dated as of January 24, 1994 (Exhibit 10(a) to Zapata's Quarterly Report on Form 10-Q for the fiscal quarter ended December 31, 1993 (File No. 1-4219)).
- 10(j)\*+ --Consulting Agreement dated as of July 1, 1994 between Zapata Corporation and Thomas H. Bowersox (Exhibit 10(w) to Zapata's Annual Report on Form 10-K for the fiscal year ended September 30, 1994 (File No. 1-4219)).
- 10(k)\*+ --Consulting Agreement between Ronald C. Lassiter and Zapata dated as of July 15, 1994 (Exhibit 10(a) to Zapata's Quarterly Report on Form 10-Q for the fiscal quarter ended June 30, 1994 (File No. 1-4219)).
- 10(l)\*+ --Employment Agreement between Lamar C. McIntyre and Zapata dated as of October 1, 1994 (Exhibit 10(v) to Zapata's Annual Report on Form 10-K for the fiscal year ended September 30, 1994 (File No. 1-4219)).

- 10(m)\*+ --Purchase Agreement dated as of April 10, 1995 by and between Norex America, Inc. and Zapata relating to 2,250,000 shares of Zapata

- Common Stock (Exhibit 10(c) to Zapata's Quarterly Report on Form 10-Q for the fiscal quarter ended March 31, 1995 (File No. 1-4219)).
- 10(n)+ --Assignment and Assumption of Consulting Agreement effective as of July 1, 1995 by and between Zapata and Zapata Protein, Inc. (Exhibit 10(b) to Zapata's Quarterly Report on Form 10-Q for the fiscal quarter ended June 30, 1995 (File No. 1-4219)).
- 10(o) --Stock Purchase Agreement dated as of August 7, 1995 between Zapata Corporation and Malcolm I. Glazer.
- 10(p)+ --Mutual Release Agreement dated as of December 1, 1995 by and among Zapata Corporation, Cimarron Gas Holding Company, Robert W. Jackson and the Robert W. Jackson Trust.
- 21 --Subsidiaries of the Registrant.
- 23(a) --Consent of Huddleston & Co., Inc.
- 23(b) --Consent of Coopers & Lybrand L.L.P.
- 23(c) --Consent of Arthur Andersen LLP.
- 24 --Powers of attorney.
- 27 --Financial Data Schedule.

- - - - -  
 + Management contract or compensatory plan or arrangement required to be filed as an exhibit pursuant to the requirements of Item 14(c) of Form 10-K.

(B) REPORTS ON FORM 8-K.

Current Report on Form 8-K dated September 20, 1995 announcing (1) that Zapata, Energy Industries, Inc. and Zapata Energy Industries, L. P. (collectively "Energy Industries") had entered into an agreement with Enterra Corporation and Enterra Compression Company (collectively "Enterra") pursuant to which Enterra agreed to purchase substantially all of the assets, and assume certain liabilities, of Energy Industries; and (2) that the Malcolm I. Glazer Trust ("Trust") executed a letter to Enterra Corporation agreeing to vote the shares owned by the Trust in accordance with the recommendation of the Company's Board of Directors.

(C) FINANCIAL STATEMENT SCHEDULE.

Filed herewith as a financial statement schedule is the schedule supporting Zapata's consolidated financial statements listed under paragraph (a) of this Item, and the Independent Public Accountants' Report with respect thereto.

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REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

To the Stockholders and Board of Directors,  
 Zapata Corporation

Our report on the consolidated financial statements of Zapata Corporation and subsidiaries as of and for the years ended September 30, 1995 and 1994, is included on page 23 of this Form 10-K. In connection with our audits of such financial statements, we have also audited the related financial statement schedule for the year ended September 30, 1995 listed in Item 14(a)(2) of this Form 10-K.

In our opinion, the financial statement schedule referred to above, when considered in relation to the basic financial statements taken as a whole, presents fairly, in all material respects, the information required to be included herein.

Coopers & Lybrand L.L.P.

Houston, Texas  
 December 15, 1995

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ZAPATA CORPORATION  
(PARENT COMPANY ONLY)  
CONDENSED BALANCE SHEET

	SEPTEMBER 30,	
	1995	1994
	(IN THOUSANDS)	
Current assets:		
Cash and cash equivalents.....	\$ 1,418	\$ 11,096
Receivables.....	1,361	700
Prepaid expenses and other current assets.....	1,961	1,918
	-----	-----
Total current assets.....	4,740	13,714
	-----	-----
Investments and other assets:		
Investments in and advances to subsidiaries*.....	155,135	175,029
Investments in unconsolidated affiliates and equity securities.....	18,235	14,471
Other assets.....	14,881	5,626
	-----	-----
Total investments and other assets.....	188,251	195,126
	-----	-----
Property and equipment:		
Cost.....	3,363	5,213
Accumulated depreciation, depletion and amortization.....	(3,080)	(3,316)
	-----	-----
	283	1,897
	-----	-----
Total assets.....	\$193,274	\$210,737
	=====	=====
Current liabilities:		
Notes payable.....	\$ 792	\$ --
Current maturities of long-term debt.....	4,795	--
Accrued liabilities.....	1,597	2,871
Accrued interest.....	513	533
Income taxes payable.....	16	268
	-----	-----
Total current liabilities.....	7,713	3,672
	-----	-----
Long-term debt.....	28,674	43,363
	-----	-----
Other liabilities.....	11,597	9,160
	-----	-----
Stockholders' equity.....	145,290	154,542
	-----	-----
Total liabilities and stockholders' equity.....	\$193,274	\$210,737
	=====	=====

\* Eliminated in consolidation.

This condensed statement should be read in conjunction with the Consolidated Financial Statements and Notes thereto which are included in Item 8 herein.

SCHEDULE I  
(continued)

ZAPATA CORPORATION

(PARENT COMPANY ONLY)

CONDENSED STATEMENT OF OPERATIONS

	SEPTEMBER 30,	
	1995	1994
	-----	
	(IN THOUSANDS)	
Expenses:		
Depreciation.....	\$ 115	\$ 2,321
General and administrative.....	1,693	4,127
	-----	-----
	1,808	6,448
Operating loss.....	(1,808)	(6,448)
	-----	-----
Other income (expense):		
Interest income.....	468	841
Interest expense.....	(1,586)	(3,949)
Gain on sale of Tidewater common stock.....	4,811	37,457
Equity in income (loss) of subsidiaries.....	1,967	(23,897)
Other.....	1,584	(4,429)
	-----	-----
	7,244	6,023
Income (loss) before income taxes.....	5,436	(425)
Provision (benefit) for income taxes.....	1,232	7,894
	-----	-----
Net income (loss).....	\$ 4,204	\$ (8,319)
	=====	=====

This condensed statement should be read in conjunction with the Consolidated Financial Statements and Notes thereto which are included in Item 8 herein.

SCHEDULE I  
(continued)

ZAPATA CORPORATION

(PARENT COMPANY ONLY)

CONDENSED STATEMENT OF CASH FLOWS

	SEPTEMBER 30,	
	1995	1994
	-----	
	(IN THOUSANDS)	

Cash flow used by operating activities:		
Net income (loss).....	\$ 4,204	\$ (8,319)
	-----	-----
Adjustments to reconcile net income (loss) to net cash used by operating activities:		
Depreciation.....	115	2,321
Gain on sale of assets.....	(5,268)	(37,457)
Equity in loss of subsidiaries.....	2,686	23,897
Changes in assets and liabilities:		
Receivables.....	(661)	(700)
Accounts payable and accrued liabilities.....	(444)	(991)
Deferred income taxes.....	1,443	(4,137)
Other assets and liabilities.....	(5,388)	5,844
	-----	-----
Total adjustments.....	(7,517)	(11,223)
	-----	-----
Net cash provided (used) by operating activities...	(3,313)	(19,542)
	-----	-----
Cash flow provided by investing activities:		
Proceeds from sale of assets.....	14,481	85,853
Restricted cash investments.....	--	74,083
Advances from subsidiaries.....	20,127	23,137
Business acquisitions, net of cash acquired.....	--	(73,222)
Capital expenditures.....	(1)	(67)
	-----	-----
Net cash provided by investing activities.....	34,607	109,784
	-----	-----
Cash flow used by financing activities:		
Borrowings.....	1,419	--
Principal payments of long-term obligations.....	(29,475)	(85,524)
Common stock buyback.....	(9,508)	--
Preferred stock redemption.....	(2,255)	(2,245)
Dividend payments.....	(1,153)	(1,566)
	-----	-----
Net cash used by financing activities.....	(40,972)	(89,335)
	-----	-----
Net increase (decrease) in cash and cash equivalents.....	(9,678)	907
Cash and cash equivalents at beginning of year.....	11,096	10,189
	-----	-----
Cash and cash equivalents at end of year.....	\$ 1,418	\$ 11,096
	=====	=====

This condensed statement should be read in conjunction with the Consolidated Financial Statements and Notes thereto which are included in Item 8 herein.

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SCHEDULE I  
(concluded)

ZAPATA CORPORATION

(PARENT COMPANY ONLY)

NOTES TO CONDENSED FINANCIAL STATEMENTS

NOTE 1. LONG-TERM OBLIGATION

Zapata Corporation leases office space in accordance with an agreement that expires in August 2002. Such office space has been fully subleased. In accordance with the lease agreement annual payments are approximately \$480,000 until August 31, 1997 and approximately \$629,000 thereafter, however, the lease payments are fully offset by the sublease receipts.

NOTE 2. ANNUAL MATURITIES OF LONG-TERM DEBT

The annual maturities of long-term debt for the five years ending September 30, 2000 are as follows (in thousands):

1996	1997	1998	1999	2000
----	-----	----	----	----
\$5,587	\$18,802	\$--	\$--	\$--

NOTE 3. RECLASSIFICATIONS

Certain reclassifications of prior year information have been made to conform with current year presentation. These reclassifications had no effect on net income (loss), total assets or stockholders' equity.

This condensed statement should be read in conjunction with the Consolidated Financial Statements and Notes thereto which are included in Item 8 herein.

SIGNATURES

PURSUANT TO THE REQUIREMENTS OF SECTION 13 OR 15(D) OF THE SECURITIES EXCHANGE ACT OF 1934, THE REGISTRANT HAS DULY CAUSED THIS REPORT TO BE SIGNED ON ITS BEHALF BY THE UNDERSIGNED, THEREUNTO DULY AUTHORIZED.

Zapata Corporation  
(Registrant)

By Lamar C. McIntyre  
-----  
(Lamar C. McIntyre  
Vice President, Chief Financial  
Officer, Treasurer and Assistant  
Secretary)

December 20, 1995

PURSUANT TO THE REQUIREMENTS OF THE SECURITIES EXCHANGE ACT OF 1934, THIS REPORT HAS BEEN SIGNED BELOW BY THE FOLLOWING PERSONS ON BEHALF OF THE REGISTRANT AND IN THE CAPACITIES AND ON THE DATES INDICATED.

SIGNATURE	TITLE	DATE
-----	-----	----
Avram A. Glazer* ----- (Avram A. Glazer)	President and Chief Executive Officer (Principal Executive Officer)	December 20, 1995
Lamar C. McIntyre ----- (Lamar C. McIntyre)	Vice President, Chief Financial Officer, Treasurer and Assistant Secretary (Principal Financial and Accounting Officer)	December 20, 1995
Malcolm I. Glazer* ----- (Malcolm I. Glazer)	+++ +	
Ronald C. Lassiter*	+	

----- +  
 (Ronald C. Lassiter) ++ Directors of the Registrant December 20, 1995  
 Robert V. Leffler, Jr.\* +  
----- +  
 (Robert V. Leffler, Jr.) +  
 W. George Loar\* +++  
-----  
 (W. George Loar)

\*By: Lamar C. McIntyre  
-----  
 (Lamar C. McIntyre,  
 Attorney-in-Fact)

ADOPTED: July 29, 1969  
AMENDED: December 15, 1969  
AMENDED: December 7, 1970  
AMENDED: January 11, 1971  
AMENDED: May 3, 1971  
AMENDED: December 27, 1971  
AMENDED: April 22, 1975  
AMENDED: January 14, 1976  
AMENDED: December 17, 1976  
AMENDED: December 14, 1978  
AMENDED: June 25, 1979  
AMENDED: December 19, 1979  
AMENDED: February 18, 1981  
AMENDED: October 7, 1981  
AMENDED: December 15, 1982  
AMENDED: February 16, 1983  
AMENDED: May 18, 1983  
AMENDED: February 17, 1984  
AMENDED: December 31, 1985  
AMENDED: April 2, 1987  
AMENDED: July 10, 1987  
AMENDED: February 10, 1988  
AMENDED: March 20, 1992  
AMENDED: February 26, 1993  
AMENDED: July 1, 1993  
AMENDED: January 20, 1994  
AMENDED: February 23, 1994  
AMENDED: August 17, 1994  
AMENDED: November 21, 1995

AMENDED AND RESTATED BY-LAWS

OF

ZAPATA CORPORATION

(a Delaware corporation)

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ARTICLE I

Offices  
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SECTION 1. Registered Office. The registered office of ZAPATA CORPORATION (hereinafter called the Corporation) shall be in the City of Wilmington, County of New Castle, State of Delaware, and the resident agent in charge thereof shall be The Corporation Trust Company.

SECTION 2. Other Offices. The Corporation may have an office or offices at such other place or places, either within or without the State of Delaware, as the Board of Directors may from time to time determine or as shall be necessary or appropriate for the conduct of the business of the Corporation.

ARTICLE II

Meetings of Stockholders

SECTION 1. Place of Meeting. All meetings of the stockholders of the Corporation shall be held at such place or places, within or without the State of Delaware, as may from time to time be fixed by the Board of Directors, or as shall be specified or fixed in the respective notices or waivers of notice

thereof.

SECTION 2. Annual Meetings. The annual meeting of the stockholders of the Corporation for the election of directors and for the transaction of such other business as may come before the meeting shall be held on such date in each year and at such time as shall be designated by the Board of Directors and stated in the notice of the meeting.

SECTION 3. Special Meetings. A special meeting of the stockholders, or of any class thereof entitled to vote, for any purpose or purposes, unless otherwise prescribed by statute or by the Certificate of Incorporation, may be called at any time by the Chairman of the Board of Directors or by order of the Board of Directors and shall be called by the Chairman of the Board of Directors or the Board of Directors upon the written request of stockholders holding of record at least 80% of the outstanding shares of stock of the Corporation entitled to vote at such meeting as of the date of such request. Such written request shall state the purpose or purposes for which such meeting is to be called. Business transacted at any such special meeting shall be limited to the purposes stated in the notice.

SECTION 4. Notice of Meetings. Except as otherwise expressly required by law, notice of each meeting of stockholders, whether annual or special, shall be given at least ten (10) days before the date on which the meeting is to be held, to each stockholder of record entitled to vote thereat by delivering a typewritten or printed notice thereof to him personally, or by mailing such notice in a postage prepaid envelope directed to him at his address as it appears on the stock book of the Corporation. Every notice of a special meeting of the stockholders, besides stating the time and place of the meeting, shall state briefly the objects or purposes thereof. Notice of any adjourned meeting of the stockholders shall not be required to be given, except where expressly required by law.

SECTION 5. Record Date. The Board of Directors may fix, in advance, a date as the record date for the purpose of determining stockholders entitled to notice of, or to vote at, any meeting of stockholders, or stockholders entitled to receive payment of any dividend or the allotment of any rights, or in order to make a determination of stockholders for any other proper purpose. Such date, in any case, shall be not more than sixty days, and in case of a meeting of stockholders not less than ten days, prior to the date on which the particular action requiring such determination of stockholders is to be taken. A determination of stockholders of record entitled to notice of or to vote at a meeting of stockholders shall apply to any adjournment of the meeting; provided, however, that the Board of Directors may fix a new record date for the adjourned meeting.

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SECTION 6. List of Stockholders. It shall be the duty of the Secretary or other officer of the Corporation who shall have charge of the stock ledger, either directly or through a transfer agent appointed by the Board, to prepare and make, at least ten (10) days before every meeting of stockholders, a complete list of the stockholders entitled to vote at such meeting, arranged in alphabetical order. Such list shall be open to the examination of any stockholder at the place where said meeting is to be held for said ten (10) days, and shall be produced and kept at the time and place of the meeting during the whole time thereof, and subject to the inspection of any stockholder who may be present. The original or a duplicate stock ledger shall be the only evidence as to who are the stockholders entitled to examine such list or the books of the Corporation or to vote in person or by proxy at such meeting.

SECTION 7. Quorum. At each meeting of the stockholders, the holders of record of a majority of the issued and outstanding stock of the Corporation entitled to vote at such meeting, present in person or by proxy, shall constitute a quorum for the transaction of business, except where otherwise provided by these By-laws, by the Certificate of Incorporation or by law. In the absence of a quorum, any officer entitled to preside at, or act as Secretary of such meeting, shall have the power to adjourn the meeting from time

to time until a quorum shall be constituted. At any such adjourned meeting at which a quorum shall be present, any business may be transacted which might have been transacted at the meeting as originally called.

SECTION 8. Voting at Meetings. Any holder of shares of capital stock of the Corporation entitled to vote shall be entitled to one vote for each such share, either in person or by proxy executed in writing by him or by his duly authorized attorney in fact. No proxy shall be valid after eleven months from the date of its execution unless otherwise provided in the proxy. Each proxy shall be revocable unless expressly provided therein to be irrevocable and unless it is coupled with an interest sufficient in law to support an irrevocable power. Stockholders of the Corporation shall not have cumulative voting rights in the election of directors.

### ARTICLE III

#### Board of Directors

SECTION 1. General Powers. The property, business and affairs of the Corporation shall be managed by the Board of Directors which may exercise all such powers of the Corporation and do all such lawful acts and things as are not by statute or by the Certificate of Incorporation or by these By-laws directed or required to be exercised or done by the stockholders.

SECTION 2. Number and Term of Office. The number of directors that shall constitute the whole Board of Directors shall be fixed by, and may be increased or decreased from time to time by, the affirmative vote of a majority of the numbers at any time constituting the Board of Directors of the Corporation. In the absence of such a designation, the number of directors constituting the whole Board of Directors shall be five (5). Directors need not be stockholders. Each director shall hold office for the full term of office to which he

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shall have been elected and until his successor shall have been duly elected and shall qualify, or until his earlier death, resignation or removal.

SECTION 3. Place of Meetings. The Board of Directors may hold its meetings, have one or more offices, and keep the books and records of the Corporation, at such place or places within or without the State of Delaware, as the Board may from time to time determine.

SECTION 4. First Meeting. After each annual election of Directors and on the same day or as soon thereafter as convenient, the Board of Directors shall meet for the purpose of organization, the election of officers and the transaction of other business at the place where such annual election is held. Notice of such meeting need not be given. Such meeting may be held at any other time or place as shall be specified in a notice given as hereinafter provided for special meetings of the Board of Directors or in a consent and waiver of notice thereof signed by all the directors.

SECTION 5. Regular Meetings. Regular meetings of the Board of Directors may be held without notice at such time and place as shall from time to time be determined by the Board.

SECTION 6. Special Meetings. Special meetings of the Board of Directors may be held at any time upon the call of the Chairman of the Board and Chief Executive Officer, the Secretary or any two directors of the Corporation. Notice shall be given, either personally or by mail or telegram at least twenty-four hours before the meeting. Notice of the time, place and purpose of such meeting may be waived in writing before or after such meeting, and shall be equivalent to the giving of notice. Attendance of a director at such meeting shall also constitute a waiver of notice thereof, except where he attends for the announced purpose of objecting to the transaction of any business on the ground that the meeting is not lawfully called or convened.

SECTION 7. Quorum. A majority of the directors at the time in office present at any regular or special meeting of the Board of Directors shall constitute a quorum for the transaction of business; except that in no case shall a quorum be less than one-third of the total number of directors authorized; and, except as otherwise required by statute, by the Certificate of Incorporation or by these By-laws, the act of a majority of the directors present at any such meeting at which a quorum is present shall be the act of the Board. In the absence of a quorum, a majority of the directors present may adjourn the meeting from time to time until a quorum shall be present. Notice of any adjourned meeting need not be given.

SECTION 8. Vacancies and Newly Created Directorships. Any vacancy that shall occur in the Board of Directors by reason of death, resignation, disqualification or removal or any other cause whatever, and newly created directorships resulting from any increase in the authorized number of directors, may be filled by a majority of the remaining directors (though less than a quorum) or by the stockholders of the Corporation at the next annual meeting or any special meeting called for the purpose, and, except as otherwise

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provided by the Certificate of Incorporation with respect to newly created directorships filled by the Board of Directors, each director so chosen shall hold office until the annual meeting at which the term of the class to which he shall have been elected expires and until his successor shall be duly elected and shall qualify, or until his earlier death, resignation or removal.

SECTION 9. Committees. The Board of Directors may, by resolution passed by a majority of the whole Board, designate one or more committees, each committee to consist of two or more of the directors of the Corporation. The Board may designate one or more directors as alternate members of any committee, who may replace any absent or disqualified member at any meeting of the committee. Any such committee, to the extent provided by the Board, shall have and may exercise the powers of the Board of Directors in the management of the business and affairs of the Corporation, and may authorize the seal of the Corporation to be affixed to all papers which may require it; provided, however, that in the absence or disqualification of any member of such committee or committees, the member or members thereof present at any meeting and not disqualified from voting, whether or not he or they constitute a quorum, may unanimously appoint another member of the Board of Directors to act at the meeting in the place of any such absent or disqualified member. Such committee or committee shall have such name or names as may be determined from time to time by resolution adopted by the Board of Directors. Each committee shall keep regular minutes of its meetings and report the same to the Board of Directors when required.

SECTION 10. Action Without a Meeting. Unless otherwise restricted by the Certificate of Incorporation or these By-laws, any action required or permitted to be taken at any meeting of the Board of Directors or of any committee thereof may be taken without a meeting, if prior to such action a written consent thereto is signed by all members of the Board or of such committee as the case may be, and such written consent is filed with the minutes of proceedings of the Board or of such committee.

SECTION 11. Compensation of Directors. Directors, as such, shall not receive any stated salary for their services, but may be paid for their services such amounts as may be fixed from time to time by resolution of the Board. Expenses of attendance, if any, may be paid for attendance at each regular or special meeting of the Board. No such payments shall preclude any director from serving the Corporation in any other capacity and receiving compensation therefor. Members of special or standing committees may be allowed like compensation for attending committee meetings.

SECTION 12. Vote of Directors. Notwithstanding anything to the contrary in these By-laws, the following actions shall require the vote of six (6) Directors: (a) any alteration, amendment or repeal of these By-laws; (b) the issuance of, or the adoption of any agreement or plan for the issuance of,

any stock, rights, or other securities (including, without limitation, securities convertible into or exchangeable or exercisable for stock of the Company) to the stockholders or any class thereof generally, any term of which is contingent upon or effective upon the acquisition by any person of any of or all of the Company's stock or upon any other action by any person

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with respect to such stock; (c) the creation of any committee of the Board of Directors; (d) the filling of vacancies on the Board of Directors or any committee thereof created by the death, resignation or removal of Malcolm I. Glazer or Avram A. Glazer; or (e) any action to remove Malcolm I. Glazer or Avram A. Glazer from any committee of the Board of Directors. Notwithstanding anything to the contrary in these By-laws, effective with the Corporation's 1995 annual meeting of stockholders, the action in this Section 12 shall require the vote of five (5) Directors.

#### ARTICLE IV

##### Officers

SECTION 1. Title, Number and Salaries. The officers of the Corporation shall be elected by the Board of Directors, and shall consist of a Chairman of the Board and Chief Executive Officer, Vice Presidents, a Secretary, a Treasurer, and such Assistant Secretaries and Assistant Treasurers as the Board of Directors may from time to time designate, all of whom shall hold office until their successors are elected and qualified. Two or more offices, except the office of Chairman of the Board and Chief Executive Officer and the office of the Secretary, may be held by the same person, but no officer shall execute, acknowledge or verify any instrument in more than one capacity. The salaries of the officers shall be determined by the Board of Directors or committee duly designated thereby, and may be altered from time to time except as otherwise provided by contract. All officers shall be entitled to be paid or reimbursed for all cost and expenditures incurred in the Corporation's business.

SECTION 2. Vacancies. Whenever any vacancies shall occur in any office by death, resignation, increase in the number of officers of the Corporation, or otherwise, the same shall be filled by the Board of Directors, and the officer so elected shall hold office until his successor is chosen and qualified.

SECTION 3. Removal. Any officer or agent elected or appointed by the Board of Directors 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.

SECTION 4. Chairman of the Board. The Chairman of the Board shall preside at all meeting of the stockholders and directors, shall be ex officio a member of all standing committees to which he is not otherwise appointed, shall see that all orders and resolutions of the Board are carried into effect, and, subject to the directions of the Board, shall have general and active management of the business of the Corporation and shall perform such other duties as may from time to time be assigned to him by the Board.

SECTION 5. Chief Executive Officer and President. The Chief Executive Officer and President shall be the chief administrative officer of the Corporation, and subject to the provisions of SECTION 4

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of this ARTICLE IV, shall perform all the duties incident to the office of Chief Executive Officer and President of a corporation and, subject to the direction of the Board, shall have general and active management of the business of the

Corporation and shall perform all duties incident to the office of Chief Executive Officer and President of a corporation and such other duties as may from time to time be assigned to him by the Board. At the request of the Chairman of the Board or of the Board, or in the absence or disability of the Chairman of the Board, the Chief Executive Officer and President shall have all the powers and perform all the duties of the Chairman of the Board.

SECTION 6. Vice Presidents. In the absence or disability of the Chairman of the Board and Chief Executive Officer, the Vice Presidents, in the order of their seniority, shall perform the duties and exercise the powers of the Chairman of the Board and Chief Executive Officer, other than as otherwise provided in the first sentence of SECTION 4 of this ARTICLE IV.

SECTION 7. Secretary. It shall be the duty of the Secretary to attend all meetings of the stockholders and Board of Directors, to record correctly the proceedings had at such meetings in a book suitable for that purpose and to perform like duties for standing committees when required. It shall also be the duty of the Secretary to attest with his signature and the seal of the Corporation all stock certificates issued by the Corporation and to keep a stock ledger in which shall be correctly recorded all transactions pertaining to the capital stock of the Corporation. He shall also attest with his signature and the seal of the Corporation all deeds, conveyances or other instruments requiring the seal of the Corporation. The person holding the office of Secretary shall also perform, under the direction and subject to the control of the Board of Directors, such other duties as may be assigned to him. The duties of the Secretary may also be performed by any Assistant Secretary.

SECTION 8. Treasurer. The Treasurer shall keep such funds of the Corporation as may be entrusted to his keeping and account for the same. He shall be prepared at all times to give information as to the condition of the Corporation and shall make a detailed annual report of the entire business and financial condition of the Corporation. The person holding the office of Treasurer shall also perform, under the direction and subject to the control of the Board of Directors, such other duties as may be assigned to him. The duties of the Treasurer may also be performed by any Assistant Treasurer.

SECTION 9. Delegation of Authority. In the case of any absence of any officer of the Corporation or for any other reason that the Board may deem sufficient, the Board of Directors may delegate some or all of the powers or duties of such officer to any other officer or to any director, employee, stockholder or agent for whatever period of time seems desirable, providing that a majority of the entire Board concurs therein.

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## ARTICLE V

### Indemnification and Insurance

SECTION 1. General Indemnification. Subject to the provisions of SECTION 3 of this ARTICLE V, the Corporation shall 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 (other than an action by or in the right of the Corporation) by reason of the fact that he is or was a director or officer of the Corporation, or is or was serving at the request of the Corporation as a director or officer 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 such action, suit or proceeding if he acted in good faith and in a manner he reasonably believed to be in or not opposed to the best interests 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, shall 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, with respect to any criminal action or proceeding, had reasonable cause to believe that his conduct was unlawful.

SECTION 2. Indemnification in Actions by or in the Right of the Corporation. Subject to the provisions of SECTION 3 of this ARTICLE V, the Corporation shall 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 or officer of the Corporation, or is or was serving at the request of the Corporation as a director or officer of another corporation, partnership, joint venture, trust or other enterprise against expenses (including attorneys' fees) actually and reasonably incurred by him in connection with the defense or settlement of such action or suit if he acted in good faith and in a manner he reasonably believed to be in or not opposed to the best interests of the Corporation and except that no indemnification shall be made in respect to any claim, issue or matter as to which such person shall have been adjudged to be liable (i) for any breach of his duty of loyalty to the Corporation or its stockholders, (ii) for acts or omissions not in good faith or which involve intentional misconduct or a knowing violation of law, (iii) under Section 174 of the Delaware General Corporation Law, or (iv) for any transaction from which he derived an improper personal benefit unless and only to the extent that the Delaware Court of Chancery or the court in which such action or suit was brought shall determine upon application that, despite the adjudication of liability but in view of all of the circumstances of the case, such person is fairly and reasonably entitled to indemnity for such expenses which the Delaware Court of Chancery or such other court shall deem proper.

SECTION 3. Determination of Standard of Conduct. Any indemnification under SECTIONS 1 and 2 of this ARTICLE V (unless

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ordered by a court) shall be made by the Corporation only as authorized in the specific case upon a determination that indemnification of the director or officer is proper in the circumstances because he had met the applicable standard of conduct set forth in said SECTIONS 1 and 2. Such determination shall be made (1) by the Board of Directors, by a majority vote of a quorum consisting of directors who were not parties to such action, suit or proceeding, or (2) if such quorum is not obtainable or, even if obtainable and a quorum of disinterested directors so directs, by independent legal counsel (who may be counsel to the Corporation) in a written opinion, or (3) by the stockholders.

SECTION 4. Successful Defense. If a director or officer of the Corporation has been successful on the merits or otherwise as a party to any action, suit or proceeding referred to in SECTIONS 1 and 2 of this ARTICLE V, or with respect to any claim, issue or matter therein (to the extent that a portion of his expenses can be reasonably allocated thereto), he shall be indemnified against expenses (including attorneys' fees) actually and reasonably incurred by him in connection therewith.

SECTION 5. Expenses During Proceeding. Expenses incurred in defending a civil, criminal, administrative or investigative action, suit or proceeding, or threat thereof, may be paid by the Corporation in advance of the final disposition of such action, suit or proceeding as authorized by the Board of Directors in the specific case upon receipt of an undertaking by or on behalf of the director or officer to whom or on whose behalf any such amount is paid to repay such amount unless it shall ultimately be determined that he is entitled to be indemnified by the Corporation as authorized in this ARTICLE V.

SECTION 6. Exclusivity. The indemnification provided by this ARTICLE V shall not be deemed exclusive of any other rights to which any person indemnified may be entitled under any other By-Law, agreement, vote of stockholders 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 or officer and shall inure to the benefit of the heirs, executors and administrators of such a person.

SECTION 7. Insurance. The Corporation may purchase and maintain insurance on behalf of any person who 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 any liability asserted against him and incurred by him in any such capacity, or arising out of his status as such, whether or not the Corporation would have the power to indemnify him against such liability under the provisions of this ARTICLE V or of Section 145 of the General Corporation Law of the State of Delaware.

SECTION 8. Definitions. For the purposes of this ARTICLE V, references to "the Corporation" include all constituent corporations absorbed in a consolidation or merger as well as the resulting or surviving corporation so that any person who is or was a director or officer of such a constituent corporation or is or was

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serving at the request of such constituent corporation as a director or officer of another corporation, partnership, joint venture, trust or other enterprise shall stand in the same position under the provisions of this ARTICLE V with respect to the resulting or surviving corporation as he would if he had served the resulting or surviving corporation in the same capacity. For purposes of this ARTICLE V, references to "other enterprises" shall include employee benefit plans; references to "fines" shall include any excise taxes assessed on a person with respect to an employee benefit plan; and references to "serving at the request of the corporation" shall include any service as a director, officer, employee or agent of the corporation which imposes duties on, or involves services by, such director, officer, employee, or agent with respect to an employee benefit plan, its participants, or beneficiaries; and a person who acted in good faith and in a manner he reasonably believed to be in the interest of the participants and beneficiaries of an employee benefit plan shall be deemed to have acted in a manner "not opposed to the best interests of the corporation" as referred to in this ARTICLE V.

## ARTICLE VI

### Shares of Capital Stock and Their Transfer

SECTION 1. Certificates for Stock. Every owner of stock of the Corporation shall be entitled to a certificate or certificates, to be in such form as the Board shall prescribe, certifying the number and class of shares of the capital stock of the Corporation owned by him. The certificates for the respective classes of such stock shall be numbered in the order in which they shall be issued and shall be signed in the name of the Corporation by the Chairman of the Board and Chief Executive Officer or any Vice President and the Treasurer or an Assistant Treasurer, or the Secretary or an Assistant Secretary of the Corporation and its seal be affixed thereto; provided, however, that, where such certificate is signed by a transfer agent or an assistant transfer agent or by a transfer clerk acting on behalf of the Corporation and a registrar, if the Board shall by Resolution so authorize, the signature of such Chairman of the Board and Chief Executive Officer, Vice President, Treasurer, Secretary, Assistant Treasurer or Assistant Secretary and the seal of the Corporation may be facsimile. In case any officer or officers of the Corporation who shall have signed, or whose facsimile signature or signatures shall have been used on, any such certificate or certificates shall cease to be such officer or officers, whether by reason of death, resignation or otherwise, before such certificate or certificates shall have been delivered by the Corporation, such certificate or certificates may nevertheless be adopted by the Corporation and be issue and delivered as though the person or persons who signed such certificate or certificates, or whose facsimile signature or

signatures shall have been affixed thereto, had not ceased to be such officer or officers. A record shall be kept by the Secretary, transfer agent or by any other officer, employee or agent designated by the Board of the name of the person, firm or corporation owning the stock represented by such certificates, the number and class of shares represented by such certificates, respectively, and the respective dates thereof, and in case of cancellation, the respective dates of cancellation. Every certificate surrendered to the Corporation for exchange or transfer

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shall be cancelled, and no new certificate or certificates shall be issued in exchange for any existing certificate until such existing certificate shall have been so cancelled, except in cases provided for in SECTION 5 of this ARTICLE VI.

SECTION 2. Classes and Series of Classes of Stock. If the Corporation shall be authorized to issue more than one class of stock or more than one series of any class, the designations, preferences and relative, participating, optional or other special rights of each class of stock or series thereof and the qualifications, limitations or restrictions of such preferences and/or rights shall be set forth in full or summarized on the face or back of the certificate which the Corporation shall issue to represent such class or series of stock; provided that, in lieu of the foregoing requirements, there may be set forth on the face or back of the Certificate which the Corporation shall issue to represent such class or series of stock, a statement that the Corporation will furnish without charge to each stockholder who so requests the designations, preferences and relative, participating, optional or other special rights of each class of stock or series thereof and the qualifications, limitations or restrictions of such preferences and/or rights.

SECTION 3. Transfer of Stock. Transfers of shares of the capital stock of the Corporation shall be made only on the books of the Corporation by the registered holder thereof, or by his attorney thereunto authorized by power of attorney duly executed and filed with the Secretary of the Corporation, or with a transfer agent appointed as in SECTION 4 of this ARTICLE VI provided, and on surrender of the certificate or certificates for such shares properly endorsed and the payment of all taxes thereon. The person in whose name shares of stock stand on the books of the Corporation shall be deemed the owner thereof for all purposes as regards the Corporation; provided, however, that whenever any transfer of shares shall be made for collateral security, and not absolutely, such fact, if known to the Secretary of the Corporation, shall be so expressed in the entry of transfer.

SECTION 4. Regulations. The Board may make such rules and regulations as it may deem expedient, not inconsistent with the Certificate of Incorporation or these By-laws, concerning the issue, transfer and registration of certificates for shares of the stock of the Corporation. It may appoint, or authorize any principal officer or officers to appoint, one or more Transfer Agents and one or more Registrars, and may require all certificates of stock to bear the signature or signatures of any of them.

SECTION 5. Lost, Destroyed or Mutilated Certificates. In case of loss, destruction or mutilation of any certificates of stock, another certificate or certificates may be issued in place thereof upon proof of such loss, destruction, or mutilation and upon the giving of a bond of indemnity to the Corporation in such form and in such sum as the Board may direct; provided, however, that a new certificate may be issued without requiring any bond when, in the judgment of the Board, it is proper so to do.

SECTION 6. Dividends. Dividends upon the capital stock of the Corporation, subject to the provisions of the Certificate of Incorporation, if any, may be declared by the Board of Directors at any

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regular or special meeting, pursuant to law. Dividends may be paid in cash, in

property, or in shares of the capital stock, subject to the provisions of the Certificate of Incorporation. Before payment of any dividend, there may be set aside out of any funds of the Corporation available for dividends such sum or sums as the directors from time to time, in their absolute discretion, think proper as a reserve or reserves to meet contingencies, or for equalizing dividends, or for repairing or maintaining any property of the Corporation, or for such other purpose as the directors shall think conducive to the interest of the Corporation, and the directors may modify or abolish any such reserve in the manner in which it was created.

## ARTICLE VII

### Miscellaneous Provisions

SECTION 1. Corporate Seal. The seal of the Corporation shall be circular in form with the words "Corporate SEAL Delaware" in the center and the name of the Corporation around the margin thereof.

SECTION 2. Fiscal Year. The fiscal year of the Corporation shall end at the close of business on the 30th day of September in each year.

SECTION 3. Annual Reports. The Board of Directors shall present at each annual meeting of the stockholders a full report of the business and condition of the Corporation.

SECTION 4. Execution of Contracts. The Board may authorize any officer or officers, agent or agents, or attorney or attorneys, to enter into any contract or execute and deliver any instrument in the name and on behalf of the Corporation, and such authority may be general or confined to specific instances; and, unless so authorized by the Board or expressly authorized by these By-laws, no officer, agent or employee shall have any power or authority to bind the Corporation by any contract or other engagement or to pledge its credit or to render it liable pecuniarily for any purpose or in any amount.

SECTION 5. Loans. No loan shall be contracted on behalf of the Corporation, and no negotiable paper shall be issued in its name, unless authorized by the Board or by a committee of the Board to whom the Board has delegated such power.

SECTION 6. Checks, Drafts, Etc. All checks, drafts, bills, notes and other negotiable instruments and orders for the payment of money issued in the name of the Corporation, shall be signed by such officer or officers, employee or employees, agent or agents, of the Corporation and in such manner as shall from time to time be determined by resolution of the Board.

SECTION 7. 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 may designate, or as may be designated by any officer or officers, agent or agents, or attorney or attorneys, of the Corporation

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to whom power in that respect shall have been delegated by the Board. For the purpose of deposit and for the purpose of collection for the account of the Corporation, the Chairman of the Board and Chief Executive Officer, or any Vice President, or the Treasurer (or any other officer or agent or employee or attorney of the Corporation to whom such power shall be delegated by the Board) may endorse, assign and deliver checks, drafts and other orders for the payment of money which are payable to the order of the Corporation.

SECTION 8. General and Special Bank Accounts. The Board may from time to time authorize the opening and keeping of general and special bank accounts with such banks, trust companies or other depositories as it may designate or as may be designated by any officer or officers, agent or agents, or attorney or attorneys, of the Corporation to whom power in that respect shall

have been delegated by the Board. The Board may make such special rules and regulations with respect to such bank accounts, not inconsistent with the provisions of these By-laws, as it may deem expedient.

#### ARTICLE VIII

##### Amendments

All By-laws of the Corporation shall be subject to alteration or repeal, and new By-laws shall be adopted, either by the affirmative votes of the holders of record of 80% or more of the issued and outstanding stock of the Corporation entitled to vote in respect thereof, given at any annual or special meeting, or by the vote provided for in SECTION 12 of ARTICLE III hereof given at any regular or special meeting of the Board of Directors, provided that notice of the proposal so to alter or repeal or to make such By-laws be included in the notice of such meeting of the stockholders or the Board, as the case may be. By-laws, whether made or altered by the stockholders or by the Board of Directors, shall be subject to alteration or repeal by the stockholders by the vote hereinabove specified.

## STOCK PURCHASE AGREEMENT

THIS AGREEMENT, dated as of August 7, 1995, is between ZAPATA CORPORATION, a Delaware corporation (the "Buyer"), and MALCOLM I. GLAZER, as trustee of the Malcolm I. Glazer Trust (the "Seller").

The Seller and the Buyer, each in reliance upon the agreements, representations, warranties and covenants hereinafter set forth herein, agree as follows with respect to the sale by the Seller and the purchase by the Buyer of all the issued and outstanding shares of capital stock of Envirodyne Industries, Inc., a Delaware corporation (the "Issuer"), owned by the Seller.

1. Purchase and Sale of Securities. (a) The Seller hereby sells to the Buyer, and the Buyer hereby purchases from the Seller, 4,189,298 shares of the common stock, par value \$0.01 per share ("Common Stock"), of the Issuer (such shares hereinafter called the "Shares") at a purchase price per share of \$4.483, such amount being hereinafter referred to as the Purchase Price. The aggregate Purchase Price for the Shares is being paid with Buyer's promissory note in the form attached hereto as Exhibit A in the principal amount of \$18,780,623.00 (the "Note")

(b) The Buyer acknowledges receipt of the transfer from Seller's brokerage account holding the Shares to the Buyer's brokerage account maintained at Schroder Wertheim & Co. Incorporated (Account No. W105793202) of the Shares. The Seller acknowledges receipt from the Buyer of the Note representing payment in full for the Shares. The sale, assignment and transfer of the Shares has been made without recourse, representation or warranty of any kind by the Buyer, express or implied, except as expressly set forth herein.

2. Representations and Warranties of Seller. The Seller represents and warrants to, and covenants with, the Buyer as follows:

(a) The Seller is the duly qualified and acting Trustee of the Malcolm I. Glazer Trust and has all the requisite power and authority to execute and deliver this Agreement and to carry out all of the terms and provisions hereof to be carried out by it.

(b) The execution, delivery and performance of this Agreement by the Seller has been duly authorized by all necessary action. This Agreement has been duly executed and delivered by the Seller and constitutes the valid and binding obligation of the Seller enforceable in accordance with its terms.

(c) Neither the execution and delivery of this Agreement by the Seller nor the consummation of the transactions contemplated hereby in accordance with its terms (i) will conflict with, result in a breach of, or constitute a default under, the governing instruments of the Malcolm I. Glazer Trust or indenture, mortgage, lease or other agreement to which the Seller or Malcolm I. Glazer is a party or to which either of them or any of their respective properties may be subject or (ii) will result in a violation of any order, writ, injunction, decree or award of any court or governmental authority to which the Seller or Malcolm I. Glazer or any of their respective properties may be subject. No action, suit or proceeding is pending or, to the knowledge of the Seller, threatened against or affecting the Seller or Malcolm I. Glazer that would prohibit or restrain the transaction contemplated hereby.

(d) The Seller owns beneficially all of the Shares and owns the Shares free and clear of all liens, claims, options, charges, encumbrances and adverse claims. The Seller is not a party to or bound by an agreement restricting its right to sell, assign, transfer or delivery the Shares as contemplated by this Agreement. Buyer is acquiring the Shares free and clear of all liens, encumbrances and adverse claims [except for any restrictions which may apply under applicable securities laws and the impact, if any, of Section 203 of the

Delaware General Corporation Law (8 Del. C. (S) 203)].

(e) There are no restrictions on the voting rights or other incidents of ownership of the Shares that are applicable to the Seller or that will be applicable to the Buyer upon purchase of the Shares.

(f) Set forth on Exhibit B is a list of the dates on which trades occurred, purchase agreements were executed and transactions thereunder were closed with respect to all the outstanding shares of Common Stock, \$.25 par value, of the Buyer owned by the Seller, and such list is true and accurate.

(g) Set forth on Exhibit C is a list of the dates on which trades occurred, purchase agreements were executed and transactions thereunder were closed with respect to all of the Shares owned by the Seller, and such list is true and accurate.

(h) As of the date hereof, Seller, in his individual capacity as a director of Issuer or otherwise, is not in possession of any non-public information relating to the Issuer that a reasonably prudent investor would consider materially adverse to the financial condition, results of operations, future prospects or any other aspects of the business, assets or operations of the Issuer.

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3. Representations and Warranties of the Buyer. The Buyer represents and warrants to the Seller as follows:

(a) The Buyer is a corporation validly existing and in good standing under the laws of the State of Delaware and has all the requisite corporate power and authority to execute and deliver this Agreement and the Note and to carry out all the terms and provisions hereof to be carried out by it.

(b) The execution, delivery and performance of this Agreement and the Note by the Buyer have been duly authorized by all necessary corporate action. This Agreement and the Note each has been duly executed and delivered by the Buyer and constitutes the valid and binding obligation of the Buyer enforceable in accordance with its terms, except to the extent the enforceability of the Note may be limited by applicable bankruptcy, insolvency, reorganization, fraudulent conveyance or other law relating to or affecting the enforcement of creditors' rights generally.

(c) Neither the execution and delivery of this Agreement or the Note by the Buyer nor the consummation of the transaction contemplated hereby or thereby in accordance with the terms hereof or thereof (i) will conflict with, result in a breach of, or constitute a default under, the certificate of incorporation of bylaws of the Buyer or any indenture, mortgage, lease or other agreement to which the Buyer is a party or to which it or any of its properties may be subject, or (ii) will result in a violation of any order, writ, injunction, decree or award of any court or governmental authority to which the Buyer or any of its properties may be subject. No action, suit or proceeding is pending or, to the knowledge of the Buyer, threatened against or affecting the Buyer that would prohibit or restrain the consummation of the transaction contemplated hereby or that challenges or questions the validity of the transactions contemplated hereunder.

(d) The waiting period under the Hart-Scott-Rodino Antitrust Improvements Act applicable to the purchase of the Shares by the Buyer has expired or been terminated.

(e) The Buyer understands that the Seller is considered an "affiliate" under the federal securities laws and the Shares have not been registered under the Securities Act of 1993, as amended (the "Securities Act") and, as a result, the Shares have been sold to Buyer pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act.

(f) The Shares may not be offered or sold by the Buyer, except pursuant to

an effective registration statement or pursuant to an exemption from or in a transaction not subject to the registration requirements of the Securities Act. The Buyer agrees that the Seller may instruct the Issuer (or its transfer agent) to place an appropriate restrictive legend placed on the certificate of certificates representing the Shares to be issued by the Issuer to the Buyer.

(g) The Buyer has received adequate information concerning the Issuer and the Shares from sources other than the Seller (or Avram Glazer) to make an informed decision with respect to its purchase of the Shares.

(h) The Buyer is purchasing the Shares for its own account and not with a view to the resale, distribution or other disposition thereof.

(i) The Buyer shall, in disposing of the Shares, fully comply with the applicable requirements of the Securities Act and applicable state securities laws.

4. Non Reliance on Seller. The Seller makes no representation or warranty of any kind in connection with, and shall have no responsibility with respect to, the financial statements, financial condition, financial performance or future prospects of the Issuer, or except as expressly set forth herein, the Shares. The Buyer represents and acknowledges that it has, independently and without reliance on Seller (or Avram Glazer), and based on such documents and information as it has deemed appropriate (including the publicly available registration statements, reports and documents relating to the Issuer filed with the Securities and Exchange Commission), made its own financial analysis and decision to purchase the Shares and enter into this Agreement.

5. Brokerage. The Buyer and the Seller each represent and warrant to the other that each will pay or otherwise discharge any liability incurred by it for brokerage or finders' fees or agents' commissions or other similar payments in connection with this Agreement and the transactions contemplated hereby. The Buyer has not engaged or otherwise dealt with any person or entity in such manner as might give rise to a claim against the Seller for such commission, fee or payment and the Seller has not engaged or otherwise dealt with any person or entity in such manner as might give rise to a claim against the Buyer for such commission, fee or payment.

6. Expenses. Except as otherwise provided herein, the parties hereto shall bear their own expenses incurred in connection with this Agreement and the sale and purchase of Shares, including, without limitation, all fees of their respective legal counsel, investment advisors and accountants. The Buyer will bear all the legal, accounting, investment banking

and other expenses of the Special Committee of its Board of Directors.

7. Notices. All notices, requests, claims, demands and other communications hereunder shall be communicated in writing, mailed by first class mail or delivered by hand, or by telephone, if promptly confirmed in writing, at the following addresses (or to such other address for a party as such party may specify by written notice given pursuant hereto):

If to the Buyer:

Zapata Corporation  
One Riverway, Suite 2200  
777 South Post Oak Lane  
Houston, Texas 77056

Attn: Joseph L. von Rosenberg III  
General Counsel

If to the Seller:

Malcolm I. Glazer  
1482 South Ocean Boulevard  
Palm Beach, Florida 33480

With a copy to:

Avram Glazer  
18 Stoney Clover Lane  
Pittsford, New York 14534

8. Entire Agreement. This Agreement contains the entire agreement between the Buyer and the Seller as to the Shares.

9. Governing Law. This Agreement shall be construed in accordance with, and be governed by, the laws of the State of New York.

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10. Parties in Interest; Assignability. This Agreement shall inure to the benefit of, and be binding upon the parties hereto and their respective successors and assigns and is not intended to confer any rights on any third party.

IN WITNESS WHEREOF, the undersigned parties hereto have duly executed this Agreement as of the date first above written.

ZAPATA CORPORATION

By [Signature appears here]

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Authorized Officer

/s/ Malcolm I. Glazer

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Malcolm I. Glazer, as trustee of the  
Malcolm I. Glazer Trust

Exhibit A

SUBORDINATED PROMISSORY NOTE

\$18,780,623.00

FOR VALUE RECEIVED, Zapata Corporation, a Delaware corporation (the "Company"), hereby promises to pay to the order of Malcolm I. Glazer, as Trustee of the Malcolm I. Glazer Trust ("Payee"), the principal sum of Eighteen Million Seven Hundred Eighty Thousand Six Hundred Twenty Three and No/100 Dollars (\$18,780,623.00) on August 7, 1997, unless sooner accelerated and to pay interest on the unpaid balance of such principal sum from time to time outstanding from the date hereof until paid in full and on the maturity date hereof at a rate prior to an event of default equal to the rate of interest per annum publicly announced from time to time by Chemical Bank as its prime rate in effect at its principal office in New York City, such rate hereunder to change automatically effective upon each change in such prime rate, such interest to be payable on the last day of each September, December, March and June in each year until the principal sum is paid in full. After an event of default the interest rate that shall accrue on the outstanding principal hereunder shall be increased by five percent (5%) over the rate which would otherwise apply.

Payments. All Payments hereunder shall be made to Malcolm I. Glazer, as

Trustee of the Malcolm I. Glazer Trust at 1482 South Ocean Boulevard, Palm Beach, Florida 33480.

Prepayment. The Company shall have the right at any time to prepay, without premium or penalty, the principal sum or any portion thereof, together with interest on the amount prepaid to date of prepayment.

Subordination. The Company covenants and agrees, and each holder of this Note by his acceptance hereof likewise covenants and agrees, that the payment of the principal and interest on this Note is subordinated, to the extent and in the manner hereinafter set forth, to the prior payment in full of all Senior Debt. The term "Senior Debt" means the principal of and premium, if any, and interest on the following, whether currently outstanding or hereafter created, (i) indebtedness of the Company for money borrowed (including purchase money obligations) evidenced by notes or other written obligations (other than this Note), (ii) indebtedness of the Company evidenced by notes (other than this Note), debentures, bonds or other securities issued under the provisions of an indenture, fiscal agency agreement or similar

instrument, (iii) obligations of the Company as lessee under capitalized leases and leases of property made as part of any sale and leaseback transactions, (iv) indebtedness of others of any of the kinds described in the preceding clauses (i) through (iii) assumed or guaranteed by the Company and (v) renewals, extensions and refundings of, and indebtedness and obligations of a successor corporation issued in exchange for or in replacement of, indebtedness or obligations of the kinds described in the preceding clauses (i) through (iv). Notwithstanding the foregoing, Senior Debt will not include: (i) any particular indebtedness, obligation, renewal, extension or refunding if the instrument creating or evidencing the same or the assumption or guarantee thereof expressly provides that such indebtedness, obligation, renewal, extension or refunding is not superior in right of payment to the Note. As used in the second preceding sentence, the term "purchase money obligations" shall mean indebtedness or obligations evidenced by a note, debenture, bond or other instrument (whether or not secured by any lien or other security interest but excluding indebtedness or obligations for which recourse is limited to the property purchased) issued or assumed as all or part of the consideration for the acquisition of property, whether by purchase, merger, consolidation or otherwise, but shall not include any trade accounts payable.

These provisions set forth in this paragraph (a) and the following paragraphs (b), (c), (d), (e) and (f) (the "Subordination Provisions") are made for the benefit of the holders from time to time of Senior Debt, and such holders and/or each of them may enforce such provisions.

(b) Upon the maturity of any Senior Debt by lapse of time, acceleration or otherwise, all principal thereof and interest thereon shall first be paid in full, or such payment duly provided for in cash or in a manner satisfactory to the holders of such Senior Debt, before any payment is made on account of the principal or interest on this Note or to acquire this Note.

Upon the happening of an event of default (or if any event of default would result upon any payment with respect to this Note) with respect to any Senior Debt, as such event of default is defined therein or in the instrument under which it is outstanding, permitting the holders to accelerate the maturity thereof, and, if the default is other than default in payment of the principal or interest on such Senior Debt, upon written notice thereof given to the Company by the holders of such Senior Debt or their representative, then, unless and until such event of default shall have been cured or waived or shall have ceased to exist, no payment shall be made by the Company with respect to the principal or interest on this Note or to acquire this Note.

(c) Upon any distribution of assets of the Company upon any dissolution, winding up, liquidation or reorganization of the Company (whether in bankruptcy, insolvency or receivership proceedings or upon an assignment for the benefit of creditors or otherwise):

(i) the holders of all Senior Debt shall first be entitled to receive payment in full of the principal and interest due thereon before the holder of this Note is entitled to receive any payment on account of the principal or interest on this Note;

(ii) any payment or distribution of assets of the Company of any kind or character, whether in cash, property or securities, to which the holder of this Note would be entitled except for the Subordination Provisions, shall be paid by the liquidating trustee or agent or other person making such payment or distribution directly to the holders of Senior Debt or their representative, or to the trustee under any indenture under which Senior Debt may have been issued, to the extent necessary to make payment in full of all Senior Debt remaining unpaid, after giving effect to any concurrent payment or distribution or provision therefor to the holders of such Senior Debt; and

(iii) in the event that notwithstanding the foregoing provisions of this paragraph (c), any payment or distribution of assets of the Company of any kind or character, whether in cash, property or securities, shall be received by the holder of this Note on account of principal or interest on this Note before all Senior Debt is paid in full, or effective provision made for its payment, such payment or distribution shall be received and held in trust for and shall be paid over to the holders of the Senior Debt remaining unpaid or unprovided for or their representative, or to the trustee under any indenture under which Senior Debt may have been issued, for application to the payment of such Senior Debt until all such Senior Debt shall have been paid in full, after giving effect to any concurrent payment or distribution or provision therefor to the holders of such Senior Debt.

(d) Subject to the payment in full of all Senior Debt, the holder of this Note shall be subrogated to the rights of the holders of Senior Debt until all amounts owing on this Note shall be paid in full, and for the purpose of such subrogation no payments or distributions to the holders of the Senior Debt by or on behalf of the Company or by or on behalf of the holder of this Note by virtue of the Subordination Provisions which otherwise would have been made to the holder of this Note shall, as between the Company and the holder of this Note be

deemed to be payment by the Company to or on account of the Senior Debt, it being understood that the Subordination Provisions are and are intended solely for the purpose of defining the relative rights of the holder of this Note, on the one hand, and the holders of the Senior Debt, on the other hand.

(e) Nothing contained in the Subordination Provisions or elsewhere in this Note is intended to or shall impair, as between the Company and the holder of this Note, the obligation of the Company, which is absolute and unconditional, to pay to the holder of this Note the principal and interest on this Note as and when the same shall become due and payable in accordance with their terms, or is intended to or shall affect the relative rights of the holder of this Note and creditors of the Company other than the holders of the Senior Debt, nor shall anything herein or therein prevent the holder of this Note from exercising all remedies otherwise permitted by applicable law upon default under this Note, subject to the rights, if any, under the Subordination Provisions of the holders of Senior Debt in respect of cash, property or securities of the Company received upon the exercise of any such remedy. Upon any distribution of assets of the Company referred to in paragraph (c) above, the holder of this Note shall be entitled to rely upon any order or decree made by any court of competent jurisdiction in which such dissolution, winding up, liquidation or reorganization proceedings are pending, or a certificate of the liquidating trustee or agent or making any distribution to the holder of this Note, for the purpose of ascertaining the persons entitled to participate in such distribution, the holders of the Senior Debt and other indebtedness of the

Company, the amount thereof or payable thereon, the amount or amounts paid or distributed thereon and all other facts pertinent thereto or to the Subordination Provisions.

(f) No right of any present or future holders of any Senior Debt to enforce subordination as provided herein shall at any time in any way be prejudiced or impaired by any act or failure to act on the part of the Company or by any act or failure to act, in good faith, by any such holder, or by any noncompliance by the Company with the terms hereof, regardless of any knowledge thereof which any such holder may have or be otherwise charged with.

Defaults and acceleration. In the event of any failure to pay any interest when due hereunder, and the continuance of such failure to pay for a period of ten (10) days after written notice, by certified or registered mail or by hand delivery, of such failure from the Payee to the Company or in the event that all of the indebtedness of the Company to Chemical Bank (or any bank serving as the Company's primary lender) becomes due and payable as the result of an event of default with respect thereto, this Note shall be in default and the entire unpaid principal sum hereof, together with accrued interest, shall at the option of the Payee,

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become immediately due and payable in full.

Compliance with usury laws. It is the intention of the Company and the Payee to conform strictly to applicable usury laws. Accordingly, notwithstanding anything to the contrary herein, it is agreed as follows: (i) the aggregate of all interest and any other charges constituting interest under applicable law contracted for, chargeable or receivable hereunder shall under no circumstances exceed the maximum amount of interest permitted by law, and any excess shall be cancelled automatically and, if theretofore paid, shall, at the option of the holder hereof, either be refunded to the Company or credited on the principal amount hereof; and (ii) in the event the entirety of the indebtedness evidenced hereby is declared due and payable, then earned interest may never include more than the maximum amount permitted by law, and any unearned interest shall be cancelled automatically and, if theretofore paid, shall, at the option of the holder hereof, either be refunded to the Company or credited on the principal amount hereof.

Governing law. This Note shall be construed and enforced under and in accordance with and shall be governed by the laws of the State of New York.

Business day. Any payment otherwise due on a day which is not a business day (a day on which banks are not authorized or required to close in Houston, Texas) may be made on the next succeeding business day, and such extension shall be taken into account in computing any interest due in connection with such payment.

Attorney's fees. In the event of any default hereunder and the placement of this Note in the hands of an attorney for collection, the Company agrees to pay all the Payee's collection costs and expenses, including attorneys' fees.

Waivers. The Company hereby waives presentment, demand, protest and notice of any kind in connection with payments due hereunder.

ZAPATA CORPORATION

By [Signature appears here]

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Authorized Officer

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Exhibit B

MALCOLM I. GLAZER

ZAPATA CORPORATION SHARES

NUMBER OF SHARES OF COMMON STOCK	TRADE DATE	PURCHASE AGREEMENT DATE	SETTLEMENT DATE
-----	-----	-----	-----
2,862,588	7/10/92	----	----
578,331	7/13/92	----	----
8,424,272	7/13/92	----	----
1,202,612	7/16/92	----	----
3,720,229	7/17/92	----	----
32,438,630	7/16/92	7/30/92	9/9/92
2,750,561	7/22/92	8/10/92	9/9/92
-----			
51,976,923			

ON DECEMBER 9, 1993, ALL SHARES WERE TRANSFERRED TO THE MALCOLM GLAZER TRUST.

ON MAY 1, 1994, THERE WAS A ONE-FOR-FIVE REVERSE STOCK SPLIT RESULTING IN THE NUMBER OF SHARES NOW OWNED BY THE TRUST TO BE 10,395,384.

EXCEPT AS NOTED HEREIN, NO AFFILIATE OR ASSOCIATE (AS DEFINED IN THE SECURITIES EXCHANGE ACT OF 1934, AS AMENDED) OF MALCOLM GLAZER OR THE MALCOLM GLAZER TRUST HAS ACQUIRED ANY SHARES OF ZAPATA CORPORATION SINCE JULY 10, 1992.

Exhibit C

MALCOLM I. GLAZER

ENVIRODYNE INDUSTRIES, INC. SHARES

NUMBER OF SHARES OF COMMON STOCK	TRADE DATE	PURCHASE AGREEMENT DATE	SETTLEMENT DATE
-----	-----	-----	-----
1,746,151	8/4/94	----	8/9/94
289,238	8/16/94	8/16/94	11/17/94
995,698	8/18/94	8/18/94	11/18/94
57,912	9/14/94	----	11/18/94
1,100,299	10/12/94	10/12/94	11/18/94
-----			
4,189,298			

MUTUAL RELEASE AGREEMENT

This Mutual Release Agreement dated as of December 1, 1995 ("Release") is entered into by and among Zapata Corporation, a Delaware corporation ("Zapata"), Cimarron Gas Holding Company, a Delaware corporation and wholly owned subsidiary of Zapata ("Cimarron"), Robert W. Jackson ("Jackson") and the Robert W. Jackson Trust ("Trust").

WHEREAS, in connection with the separation of Mr. Jackson's employment with Cimarron and Zapata, the parties desire to compromise, settle and resolve all rights and obligations which each party may have pursuant to all contracts, agreements or benefit plans between or among the parties, as well as all controversies among them in order to bring peace and avoid the cost and settlement of litigation;

NOW, THEREFORE, in consideration of the premises and the promises, covenants and representations contained herein, the parties agree as follows:

1. Definitions. As used herein, the following terms shall have the following meanings:

"Claims" means any and all theories of recovery of whatsoever nature, under any theory of strict liability, under any theory of contract, tort, negligence, gross negligence, recklessness, on account of personal injury or sickness, any theory or cause of action whether presently known or unknown, recognized by the law of any jurisdiction, and comprehensively includes, but is not limited to, actions, lawsuits, claims, causes of action, demands, liabilities, suits, and judgments, whether arising in tort, in contract, at law, in equity, at common law, under any federal, state, county or local statute or law, including but not limited to, Title VII of the Civil Rights Act of 1964, as amended, the Fair Labor Standards Act, the Equal Pay Act, overtime and minimum wage claims under the Fair Labor Standards Act, 29 U.S.C. (s)(s)201, et seq., the Texas Commission of Human Rights Act, any violation of the Texas Labor Code, the Age Discrimination in Employment Act ("ADEA") 29 U.S.C. (s)(s)621 et seq., the Older Workers' Benefit Protection Act, the Employee Retirement Income Security Act, including but not limited to Section 510, 29 U.S.C. (s)1140; any federal or state civil rights law, including but not limited to violations of 42 U.S.C. (s)1981, intentional acts or omissions, actions for fraud, negligence, intentional infliction of emotional distress, libel, slander, defamation, breach of contract, quantum meruit, action in tort, promissory estoppel, reliance or negligent misrepresentation, and wrongful discharge.

"Damages" means any and all elements of relief of recovery of whatsoever nature, whether known or now unknown, recognized by the law of any jurisdiction and comprehensively includes, but is not limited to, money damages of every description, including economic loss, property loss; personal injury; mental or emotional distress; attorneys' fees; prejudgment or postjudgment interest; costs; any injunctive or equitable relief, including specific performance; lost income; penalty wages; employee benefits of any kind whatsoever, including but not limited to benefits under an incentive plan,

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employee stock option plan or any other benefit plan; expenses; past or future loss of support, care, guidance, companionship, society, love, affection, household services, advice and counsel, pain and suffering, mental anguish, wage earning capacity; past and future medical expenses; punitive or exemplary damages; multiplication of compensatory damages under any theory whatsoever; front-pay; back-pay; and any other type of monetary relief whatsoever cognizable under any law.

"Jackson/Trust and their Affiliates" means Jackson and the Trust, for and on behalf of themselves, their predecessors and successors and all related or affiliated legal or business entities, and all present and former trustees, beneficiaries, agents, insurers, attorneys and representatives. For purposes of this Release, Robert H. Parks, Jr., and James C. Jewett are not included within this definition.

"Zapata/Cimarron and their Affiliates" means Zapata and Cimarron, for and on behalf of themselves, their subsidiary corporations, divisions, predecessors and successors, all related or affiliated legal or business entities, and all present and former stockholders, officers, directors, agents, employees, insurers, attorneys and representatives.

## 2. Releases.

a. Releases by Jackson/Trust and Their Affiliates. Jackson and Trust, for and on behalf of Jackson/Trust and their Affiliates, in order to avoid litigation and its attendant costs and expenses and in consideration of the covenants of Zapata and Cimarron in Section 2(b) hereof, and for the payment to Jackson of \$306,534.80 which will be paid on the first business day after January 1, 1996 (the "Payment Date") to Jackson by Zapata or Cimarron, and for other good and valuable consideration, receipt of which is hereby acknowledged, received from Zapata/Cimarron and their Affiliates, hereby release, acquit and forever discharge Zapata/Cimarron and their Affiliates of and from all Claims and/or Damages which Jackson/Trust and their Affiliates ever had, now have, or hereafter can, shall or may have which have arisen or may arise out of actions or circumstances which occurred prior to the date of this Release, against Zapata/Cimarron and their Affiliates of any nature whatsoever, including without limitation, any Claims and/or Damages which are in any way directly or indirectly on account of, relating to or arising out of, either prior to or after the date of this Release: (i) the agreements set forth on Schedule A (the "Terminated Agreements"), (ii) the Stock Purchase Agreement dated November 12, 1992 ("Stock Purchase Agreement") among Zapata, Jackson and the other parties thereto, and the transactions contemplated thereby, (iii) the Cimarron Incentive Appreciation Plan as established November 12, 1992, but effective as of September 30, 1992 (the "Cimarron Incentive Appreciation Plan"), (iv) Jackson's hiring and initiation of employment with Cimarron and Zapata; (v) his employment with Cimarron and Zapata; (vi) any acts (or omissions) or conduct connected with his employment or acts (or omissions) occurring (or not occurring) during his employment with Cimarron or Zapata; and (vii) his separation of employment with Cimarron and Zapata.

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b. Releases by Zapata/Cimarron and Their Affiliates. Zapata and Cimarron, for and on behalf of Zapata/Cimarron and their Affiliates, in order to avoid litigation and its attendant costs and expenses and in consideration of the covenants of Jackson and the Trust in Section 2(a) hereof and for other good and valuable consideration, receipt of which is hereby acknowledged, received from Jackson/Trust and their Affiliates, hereby release, acquit and forever discharge Jackson/Trust and their Affiliates of and from all Claims and/or Damages, which Zapata/Cimarron and their Affiliates ever had, now have or hereafter can, shall or may have which have arisen or may arise out of actions or circumstances which occurred prior to the date of this Release, against Jackson/Trust and their Affiliates of any nature whatsoever, including without limitation, any Claims or Damages which are in any way directly or indirectly, on account of, relating to or arising out of, either prior to or after the date of this Release: (i) the Terminated Agreements, (ii) the Stock Purchase Agreement and the transactions contemplated thereby, including, without limitation, any Claims or Damages arising from the damages incurred by Zapata or Cimarron in connection with the El Paso bankruptcy (the "El Paso Damages"), (iii) the Cimarron Incentive Appreciation Plan, (iv) Jackson's hiring and initiation of employment with Cimarron and Zapata; (v) Jackson's employment with Cimarron or Zapata; (vi) any acts (or omissions) or conduct connected with Jackson's employment or acts (or omissions) occurring (or not occurring) during his employment with Cimarron and Zapata; and (vii) Jackson's separation

of employment with Cimarron and Zapata.

c. Termination of Terminated Agreements. Each of the Terminated Agreements is hereby terminated and of no further force and effect. No duties of either party under the Terminated Agreements shall survive after the date of this Release and the parties agree that they have performed all required obligations thereunder. There are no other benefit agreements among the parties that are not set forth on Schedule A. However, Jackson will continue to have the rights of a terminated employee with respect to Cimarron's 401(k) plan and Cimarron's health insurance plan as may be provided for in such plans, and COBRA rights as may be provided for by law.

d. No Further Participation in the Cimarron Incentive Appreciation Plan. Jackson/Trust and their Affiliates have no rights to participate in, and are entitled to no payments under, the Cimarron Incentive Appreciation Plan. Jackson confirms that he has previously received adequate written notice from Zapata pursuant to a letter dated October 19, 1995 regarding Jackson's right to pay to Zapata an "Additional Participant Investment" (as defined in Section 1.1(j) of the Cimarron Incentive Appreciation Agreement) and that Jackson has irrevocably declined and forever waived his right to make such payment.

3. Resignation of all Positions by Jackson. In connection with the termination of the Employment Agreement listed on Schedule A, Jackson hereby resigns all of his director, officer or employee positions at Cimarron or Zapata or their affiliates.

4. ADEA and Older Workers' Benefit Protection Act Waiver. Jackson represents that the statutory requirements for a waiver of his rights and claims under ADEA and under the

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Older Workers' Benefit Protection Act have been satisfied. Specifically, Jackson acknowledges that:

(i) this waiver and release is part of an agreement that is written in a manner calculated to be understood by Jackson and that he in fact understands the terms, conditions and effect of this Release;

(ii) this Release refers to rights or claims arising under ADEA and the Older Workers' Benefit Protection Act;

(iii) Jackson waives rights or claims only in exchange for consideration in addition to anything of value to which he is already entitled;

(iv) Jackson was advised in writing to consult with an attorney prior to executing the Release;

(v) Jackson has been given a period of at least 21 days within which to consider the Release and after consulting with counsel waives the twenty-one (21) day period in order that he may receive certain portions of the monetary considerations in this Release upon execution of this Release;

(vi) this Release provides for a period of at least 7 days following execution of the Release in which Jackson may revoke by returning the full amount of all payments made hereunder to Jackson and the Trust to Zapata; and

(vii) Jackson fully understands all of the terms of this waiver agreement and knowingly and voluntarily enters into this Release.

To the extent such waiver of Claims under the ADEA and Older Workers' Benefit Protection Act is ineffective, the parties intend that the period between the date of this Agreement and the Payment Date shall constitute Jackson's 21 day period within which to consider, and the 7 day period within which to revoke, only that portion of the Release relating only to the release of Claims under the ADEA and the Older Workers' Benefit Protection Act. The acceptance by Jackson of the payment of \$306,534.80 on the Payment Date pursuant to Section

2(a) hereof after such 28 day period shall be conclusive evidence of compliance with the expiration of such 21-day and 7-day periods.

5. Covenant Not to Sue. The parties agree not to sue or cause to be instituted any action, hearing, charge or complaint in any federal, state or local agency or court or arbitration or mediation proceeding against each other relating to the Claims and/or Damages released by this Release.

6. Confidentiality. The parties agree to keep the terms of this Release confidential. The parties agree not to disclose any of the contents of this Release to any third party, unless compelled to do so by court order or by law. Notwithstanding the foregoing, the parties may

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disclose the substance of this Release to their attorneys, partners, directors, officers and financial and tax advisors.

7. Future Cooperation. Jackson and the Trust agree to cooperate fully with the Zapata/Cimarron and their Affiliates, and Zapata and Cimarron agree to cooperate fully with the Jackson/Trust and their Affiliates, and to take all additional actions which may be necessary to give full force and effect to this Release and its intent.

8. No Admission. This Release is not and shall never be construed as an omission of liability, fault, or wrongdoing by Zapata/Cimarron and their Affiliates or Jackson/Trust and their Affiliates, each of whom specifically denies any liability, fault, or wrongdoing, but instead reflects a settlement and accord in satisfaction of contractual obligations and contested and disputed matters.

9. Indemnification. Jackson and the Trust agree to indemnify and hold harmless Zapata/Cimarron and their Affiliates from and against, and shall reimburse Zapata/Cimarron and their Affiliates for, each loss, damage, injury or claim (including attorney's fees), imposed on or incurred by Zapata/Cimarron and their Affiliates which results from a breach of this Release by Jackson/Trust and their Affiliates. Zapata and Cimarron agree to indemnify and hold harmless Jackson/Trust and their Affiliates from and against, and shall reimburse Jackson/Trust and their Affiliates for, each loss, damage, injury or claim (including attorney's fees), imposed on or incurred by Jackson/Trust and their Affiliates which results from a breach of this Release by Zapata/Cimarron and their Affiliates.

10. Warranty. Each of Jackson and the Trust represent and warrant to Zapata/Cimarron and their Affiliates, and each of Zapata and Cimarron represents and warrants to Jackson/Trust and their Affiliates, that there has been no assignment of any nature whatsoever to any party, in whole or in part, of any matter released hereby, and there are no liens, security interests or other encumbrances in or relating to any such matter.

11. General. Each party acknowledges that it has been advised by legal counsel in connection with the execution of this Release, that this paragraph constitutes written notice of its right to be advised by legal counsel in connection with this Release, and that it understands its respective rights and obligations and that it freely, voluntarily and without coercion enters into this Release.

All provisions of this Release are severable and if any provision or provisions hereof are found to be void as against public policy or for any other reason, or unenforceable, such finding shall not affect the validity of any other provision hereof.

This Release contains the entire agreement between the parties and it completely supercedes any prior written or oral agreements or representations concerning the subject matter hereof. Any oral representation or modification concerning this Release shall be of no force or effect. This Release can be

modified only by a writing signed by the parties to this Release.

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This Release shall be governed by and construed in accordance with the laws of the State of Texas.

IN WITNESS WHEREOF, Jackson and the Trust, for and on behalf of Jackson/Trust and their Affiliates, and Zapata and Cimarron, for and on behalf of Zapata/Cimarron and their Affiliates, each has caused this Release to be executed as of the date first written above.

/s/ ROBERT W. JACKSON

-----  
ROBERT W. JACKSON

ROBERT W. JACKSON TRUST

By: /S/ ROBERT W. JACKSON

-----  
ROBERT W. JACKSON, TRUSTEE

ZAPATA CORPORATION

By: /S/ JOSEPH L. von ROSENBERG, III

-----  
JOSEPH L. von ROSENBERG, III  
Vice President, General Counsel and Secretary

CIMARRON GAS HOLDING COMPANY

By: /S/ JOSEPH L. von ROSENBERG, III

-----  
JOSEPH L. von ROSENBERG, III  
Vice President, General Counsel and Secretary

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SCHEDULE A

1. Incentive Appreciation Agreement dated November 12, 1992, but effective as of the close of business on September 30, 1992, between Cimarron and Robert W. Jackson.
2. All Participation Agreements between Cimarron and Robert W. Jackson including, without limitation, those agreements dated August 24, 1995 and dated November 12, 1992, but effective as of the close of business September 30, 1992.
3. Corporate Governance Agreement dated November 12, 1992, but effective as of the close of business September 30, 1992, between Cimarron and Robert W. Jackson.
4. Employment Agreement dated November 12, 1992 but effective on September 30, 1992 (the "Employment Agreement") between Robert W. Jackson and Cimarron.

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STATE OF OKLAHOMA (S)  
(S)  
COUNTY OF TULSA (S)

As of December 1, 1995, before me, the undersigned authority, personally appeared Robert W. Jackson, known to me to be the person whose name is subscribed to the foregoing instrument, and acknowledged to me that such person executed the same for the purposes and consideration therein expressed, in the capacity stated, and as his act and deed.

/s/ Glenna Nelson  
-----  
NOTARY PUBLIC

My Commission Expires:  
August 26, 1997

Glenna Nelson  
-----  
Printed or Typed Name

STATE OF TEXAS (S)  
(S)  
COUNTY OF HARRIS (S)

As of December 1, 1995, before me, the undersigned authority, personally appeared Joseph L. von Rosenberg, III, the Vice President, General Counsel and Secretary of Zapata Corporation, a Delaware corporation, and Vice President, General Counsel and Secretary of Cimarron Gas Holding Company, a Delaware corporation, known to me to be the person whose name is subscribed to the foregoing instrument, and acknowledged to me that such person executed the same for the purposes and consideration therein expressed, in the capacity stated, and as the act and deed of said corporation.

/s/ Marina F. Castillo  
-----  
NOTARY PUBLIC in and for  
Harris County, TEXAS

My Commission Expires:  
December 6, 1996  
-----

Marina F. Castillo  
-----  
Printed or Typed Name

ZAPATA CORPORATION SUBSIDIARIES

Name	Place of Incorporation	Ownership
Cimarron Gas Holding Company	Delaware	100%
Cimarron Gas Companies, Inc.	Oklahoma	100%
Tyler Gas Co.	Texas	100%
Kodiak Compression, Inc.	Oklahoma	100%
Stellar Energy Corporation	Texas	100%
Stellar Pipeline Company	Texas	100%
Stellar Transmission Company	Texas	100%
Energy Industries, Inc.	Delaware	100%
Energy Industries Financial Services, Inc.	Delaware	100%
Pesquera Zapata, S.A. de C.V.	Mexico	49%
Tanker Leasing Corporation	Delaware	100%
Williams-McWilliams Co., Inc.	Delaware	100%
Zapata Automotive Leasing Corp.	Delaware	100%
Zapata Compression Investments, Inc.	Delaware	100%
Zapata Energy Industries, L. P.	Delaware	100%
Zapata Exploration Company	Delaware	100%
Zapata Offshore Gathering Company, Inc.	Delaware	100%
Zapata Financial Services, Inc.	Delaware	100%
Zapata Fishing, Inc.	Delaware	100%
Zapata Minerals, Inc.	Delaware	100%
Zapata Ocean Resources, Inc.	Puerto Rico	100%
Zapata Off-Shore Company	Delaware	100%
Zapata Drilling, Inc.	Delaware	100%
Zapata North Sea, Inc.	Panama	100%
Zapata Overseas Capital Corporation	Delaware	100%
Zapata Canada Inc.	British Columbia	100%
Zapata Protein, Inc.	Delaware	100%
Amigo Feeds, Ltd.	Bermuda	
		50%
Venture Milling Company	Delaware	60%
Zapata Protein (USA), Inc.	Virginia	100%
Zapata Rentals, Inc.	Delaware	100%
Zapata Services Corporation	Delaware	100%
Zapata Tankships, Inc.	Delaware	100%
Zapata Ocean Carriers, Inc.	Delaware	100%
Zapata Sea Services, Inc.	Delaware	100%

[HUDDLESTON & CO. LETTERHEAD APPEARS HERE]

December 21, 1995

Zapata Exploration Company  
1717 St. James, Suite 550  
Houston, Texas 77056

Gentlemen:

Huddleston & Co., Inc., has prepared oil and gas reserve estimates for Zapata Exploration Company, a subsidiary of Zapata Corporation (the "Company"), for the Company's fiscal years ended September 30, 1986, 1987, 1988, 1989, 1990, 1991, 1992, 1993, 1994 and 1995. Such estimates are included in the notes to the Financial Statements of the Company which appear in the Company's annual report on Form 10-K for the fiscal year ended September 30, 1995.

Huddleston & Co., Inc., hereby consents to the identification in such Form 10-K of Huddleston & Co., Inc., as the expert which has prepared such estimates, and the identification of Huddleston & Co., Inc., with respect to such matters in the post-effective amendments to the Company's registration statements on Form S-3 covering certain of the Company's common stock subject to stock options granted to employees of the Company. Huddleston & Co., Inc., also hereby consents to the inclusion of this letter as an exhibit to such Form 10-K and registration statements.

Very truly yours,

HUDDLESTON & CO., INC.

By: /s/PETER D. HUDDLESTON, P.E.

-----  
Peter D. Huddleston, P.E.  
President

PDH:ek

CONSENT OF INDEPENDENT ACCOUNTANTS

We consent to the incorporation by reference in the registration statements of Zapata Corporation on Form S-3 (File No. 33-68034) and on Form S-8's (File Nos. 33-19085 and 33-45251) of our reports dated December 15, 1995, on our audits of the consolidated financial statements and financial statement schedule of Zapata Corporation as of September 30, 1995 and 1994 and for the years then ended, which reports are included in this Annual Report on Form 10-K.

COOPERS & LYBRAND L.L.P.

Houston, Texas  
December 21, 1995

CONSENT OF INDEPENDENT PUBLIC ACCOUNTANTS

As independent public accountants, we hereby consent to the incorporation by reference of our report dated December 17, 1993, included in this Form 10-K, into the Company's previously filed Registration Statement File Nos. 33-19085, 33-45251 and 33-68034.

ARTHUR ANDERSEN LLP

Houston, Texas  
December 21, 1995

POWER OF ATTORNEY

WHEREAS, Zapata Corporation, a Delaware corporation (the "Company"), intends to file with the Securities and Exchange Commission (the "Commission") under the Securities Exchange Act of 1934, as amended (the "Act"), an annual report on Form 10-K for the fiscal year ended September 30, 1995 (the "Form 10-K") pursuant to the Act and the rules and regulations of the Commission promulgated thereunder;

NOW, THEREFORE, the undersigned in the capacity of a director, officer or both a director and officer of the Company, as the case may be, does hereby appoint Joseph L. von Rosenberg III and Lamar C. McIntyre, and each of them, severally, as his true and lawful attorney or attorneys-in-fact with full power of substitution and resubstitution, to execute in his name, place and stead, in his capacity as director, officer or both, as the case may be, the Form 10-K and any and all documents necessary or incidental in connection therewith, including without limitation any amendments to the Form 10-K, and to file the same with the Commission. Each of said attorneys-in-fact shall have full power and authority to do and perform in the name and on behalf of the undersigned in any and all capacities, every act whatsoever necessary or desirable to be done in the premises as fully and to all intents and purposes as the undersigned might or could do in person, the undersigned hereby ratifying and confirming the acts that said attorneys-in-fact and each of them, or their or his substitutes or substitute, may lawfully do or cause to be done by virtue hereof.

IN WITNESS WHEREOF, the undersigned has executed this power of attorney as of the 20th day of December, 1995.

[SIGNATURE OF AVRAM A. GLAZER APPEARS HERE]

-----  
Avram A. Glazer

POWER OF ATTORNEY

WHEREAS, Zapata Corporation, a Delaware corporation (the "Company"), intends to file with the Securities and Exchange Commission (the "Commission") under the Securities Exchange Act of 1934, as amended (the "Act"), an annual report on Form 10-K for the fiscal year ended September 30, 1995 (the "Form 10-K") pursuant to the Act and the rules and regulations of the Commission promulgated thereunder;

NOW, THEREFORE, the undersigned in the capacity of a director, officer or both a director and officer of the Company, as the case may be, does hereby appoint Joseph L. von Rosenberg III and Lamar C. McIntyre, and each of them, severally, as his true and lawful attorney or attorneys-in-fact with full power of substitution and resubstitution, to execute in his name, place and stead, in his capacity as director, officer or both, as the case may be, the Form 10-K and any and all documents necessary or incidental in connection therewith, including without limitation any amendments to the Form 10-K, and to file the same with the Commission. Each of said attorneys-in-fact shall have full power and authority to do and perform in the name and on behalf of the undersigned in any and all capacities, every act whatsoever necessary or desirable to be done in the premises as fully and to all intents and purposes as the undersigned might or could do in person, the undersigned hereby ratifying and confirming the acts that said attorneys-in-fact and each of them, or their or his substitutes or substitute, may lawfully do or cause to be done by virtue hereof.

IN WITNESS WHEREOF, the undersigned has executed this power of attorney as of the 20th day of December, 1995.

[SIGNATURE OF MALCOLM I. GLAZER APPEARS HERE]

-----  
Malcolm I. Glazer

POWER OF ATTORNEY

WHEREAS, Zapata Corporation, a Delaware corporation (the "Company"), intends to file with the Securities and Exchange Commission (the "Commission") under the Securities Exchange Act of 1934, as amended (the "Act"), an annual report on Form 10-K for the fiscal year ended September 30, 1995 (the "Form 10-K") pursuant to the Act and the rules and regulations of the Commission promulgated thereunder;

NOW, THEREFORE, the undersigned in the capacity of a director, officer or both a director and officer of the Company, as the case may be, does hereby appoint Joseph L. von Rosenberg III and Lamar C. McIntyre, and each of them, severally, as his true and lawful attorney or attorneys-in-fact with full power of substitution and resubstitution, to execute in his name, place and stead, in his capacity as director, officer or both, as the case may be, the Form 10-K and any and all documents necessary or incidental in connection therewith, including without limitation any amendments to the Form 10-K, and to file the same with the Commission. Each of said attorneys-in-fact shall have full power and authority to do and perform in the name and on behalf of the undersigned in any and all capacities, every act whatsoever necessary or desirable to be done in the premises as fully and to all intents and purposes as the undersigned might or could do in person, the undersigned hereby ratifying and confirming the acts that said attorneys-in-fact and each of them, or their or his substitutes or substitute, may lawfully do or cause to be done by virtue hereof.

IN WITNESS WHEREOF, the undersigned has executed this power of attorney as of the 20th day of December, 1995.

[SIGNATURE OF R. C. LASSITER APPEARS HERE]

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R. C. Lassiter

POWER OF ATTORNEY

WHEREAS, Zapata Corporation, a Delaware corporation (the "Company"), intends to file with the Securities and Exchange Commission (the "Commission") under the Securities Exchange Act of 1934, as amended (the "Act"), an annual report on Form 10-K for the fiscal year ended September 30, 1995 (the "Form 10-K") pursuant to the Act and the rules and regulations of the Commission promulgated thereunder;

NOW, THEREFORE, the undersigned in the capacity of a director, officer or both a director and officer of the Company, as the case may be, does hereby appoint Joseph L. von Rosenberg III and Lamar C. McIntyre, and each of them, severally, as his true and lawful attorney or attorneys-in-fact with full power of substitution and resubstitution, to execute in his name, place and stead, in his capacity as director, officer or both, as the case may be, the Form 10-K and any and all documents necessary or incidental in connection therewith, including without limitation any amendments to the Form 10-K, and to file the same with the Commission. Each of said attorneys-in-fact shall have full power and authority to do and perform in the name and on behalf of the undersigned in any and all capacities, every act whatsoever necessary or desirable to be done in the premises as fully and to all intents and purposes as the undersigned might or could do in person, the undersigned hereby ratifying and confirming the acts that said attorneys-in-fact and each of them, or their or his substitutes or substitute, may lawfully do or cause to be done by virtue hereof.

IN WITNESS WHEREOF, the undersigned has executed this power of

attorney as of the 20th day of December, 1995.

[SIGNATURE OF ROBERT V. LEFFLER, JR. APPEARS HERE]

-----  
Robert V. Leffler, Jr.

POWER OF ATTORNEY

WHEREAS, Zapata Corporation, a Delaware corporation (the "Company"), intends to file with the Securities and Exchange Commission (the "Commission") under the Securities Exchange Act of 1934, as amended (the "Act"), an annual report on Form 10-K for the fiscal year ended September 30, 1995 (the "Form 10-K") pursuant to the Act and the rules and regulations of the Commission promulgated thereunder;

NOW, THEREFORE, the undersigned in the capacity of a director, officer or both a director and officer of the Company, as the case may be, does hereby appoint Joseph L. von Rosenberg III and Lamar C. McIntyre, and each of them, severally, as his true and lawful attorney or attorneys-in-fact with full power of substitution and resubstitution, to execute in his name, place and stead, in his capacity as director, officer or both, as the case may be, the Form 10-K and any and all documents necessary or incidental in connection therewith, including without limitation any amendments to the Form 10-K, and to file the same with the Commission. Each of said attorneys-in-fact shall have full power and authority to do and perform in the name and on behalf of the undersigned in any and all capacities, every act whatsoever necessary or desirable to be done in the premises as fully and to all intents and purposes as the undersigned might or could do in person, the undersigned hereby ratifying and confirming the acts that said attorneys-in-fact and each of them, or their or his substitutes or substitute, may lawfully do or cause to be done by virtue hereof.

IN WITNESS WHEREOF, the undersigned has executed this power of attorney as of the 20th day of December, 1995.

[SIGNATURE OF W. GEORGE LOAR APPEARS HERE]

-----  
W. George Loar

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<OTHER-SE>		137,900
<TOTAL-LIABILITY-AND-EQUITY>		239,391
<SALES>		103,068
<TOTAL-REVENUES>		103,068
<CGS>		86,739
<TOTAL-COSTS>		112,288
<OTHER-EXPENSES>		2,891
<LOSS-PROVISION>		0
<INTEREST-EXPENSE>		2,694
<INCOME-PRETAX>		(9,023)
<INCOME-TAX>		(3,179)
<INCOME-CONTINUING>		(5,844)
<DISCONTINUED>		10,048
<EXTRAORDINARY>		0
<CHANGES>		0
<NET-INCOME>		4,204
<EPS-PRIMARY>		.14
<EPS-DILUTED>		.14