

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

Form 10-K

- ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d)  
OF THE SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended December 31, 2008

or

- TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d)  
OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from to

Commission file number: 1-4219

**Zapata Corporation**

(Exact name of Registrant as specified in its charter)

Nevada

(State or other jurisdiction of  
incorporation or organization)

100 Meridian Centre, Suite 350

Rochester, NY

(Address of principal executive offices)

74-1339132

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

14618

(Zip Code)

Registrant's Telephone Number, Including Area Code (585) 242-2000

Securities Registered Pursuant to Section 12(b) of the Act:

Title of Each Class

Name of Each Exchange on Which Registered

Common Stock, \$0.01 par value

New York Stock Exchange

Securities Registered Pursuant to Section 12(g) of the Act:

None.

Indicate by check mark if the registrant is a well-know seasoned issuer, as defined in Rule 405 of the Securities Act. Yes  or No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes  or No

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  or 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.

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer

Accelerated filer

Non-accelerated filer

Smaller reporting company

(Do not check if a smaller reporting company)

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act). Yes  or No

The aggregate market value of the voting stock held by non-affiliates of the registrant, computed by reference to the closing price as of the last business day of the registrants most recently completed second fiscal quarter, June 30, 2008, was approximately \$65.2 million. For the sole purpose of making this calculation, the term "non-affiliate" has been interpreted to exclude directors, corporate officers and holders of 10% or more of the Company's common stock.

As of February 24, 2009, the Registrant had outstanding 19,276,334 shares of common stock, \$0.01 par value.

**Documents Incorporated By Reference:**

Portions of the Registrant's definitive Proxy Statement to be delivered to the Company's stockholders in connection with the Company's 2009 Annual Meeting of Stockholders, which the Company plans to file with the Securities and Exchange Commission pursuant to Regulation 14A promulgated under the Securities Exchange Act of 1934, on or prior to April 30, 2009, are incorporated by reference in Part III (Items 10, 11, 12, 13 and 14) of this Form 10-K.

## TABLE OF CONTENTS

	<u>Page</u>
<b>PART I</b>	
Item 1. Business . . . . .	2
General . . . . .	2
Zap.Com Corporation . . . . .	4
Discontinued Operations . . . . .	4
Financial Information about Segments . . . . .	4
Item 1A. Risk Factors . . . . .	4
Item 1B. Unresolved Staff Comments . . . . .	8
Item 2. Properties . . . . .	8
Item 3. Legal Proceedings . . . . .	8
Item 4. Submission of Matters to a Vote of Security Holders . . . . .	8
<b>PART II</b>	
Item 5. Market for Registrant’s Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities . . . . .	8
Item 6. Selected Financial Data . . . . .	11
Item 7. Management’s Discussion and Analysis of Financial Condition and Results of Operations . . . . .	11
Overview . . . . .	12
Consolidated Results of Operations . . . . .	13
Liquidity and Capital Resources . . . . .	16
Off Balance Sheet Arrangements . . . . .	17
Summary of Cash Flows . . . . .	18
Recent Accounting Pronouncements . . . . .	19
Critical Accounting Policies and Estimates . . . . .	19
Item 7A. Quantitative and Qualitative Disclosures About Market Risk . . . . .	21
Item 8. Financial Statements and Supplementary Data . . . . .	22
Item 9. Changes in and Disagreements With Accountants on Accounting and Financial Disclosure . . . . .	47
Item 9A. Controls and Procedures . . . . .	47
Item 9B. Other Information . . . . .	47
<b>PART III</b>	
Item 10. Directors, Executive Officers and Corporate Governance . . . . .	48
Item 11. Executive Compensation . . . . .	48
Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters . . . . .	48
Item 13. Certain Relationships and Related Transactions, and Director Independence . . . . .	48
Item 14. Principal Accounting Fees and Services . . . . .	48
<b>PART IV</b>	
Item 15. Exhibits, Financial Statement Schedules . . . . .	48

## FORWARD-LOOKING STATEMENTS

CAUTIONARY STATEMENT FOR PURPOSES OF THE “SAFE HARBOR” PROVISIONS OF THE PRIVATE SECURITIES LITIGATION REFORM ACT OF 1995. This document contains certain “forward-looking statements” within the meaning of Section 27A of the Securities Act of 1933, as amended (the “Securities Act”), and Section 21E of the Securities Exchange Act of 1934, as amended (the “Exchange Act”). The Company intends such forward-looking statements to be covered by the safe harbor provisions for forward-looking statements contained in the Private Securities Litigation Reform Act of 1995, and includes this statement for purposes of such safe harbor provisions. Forward-looking statements, which are based upon certain assumptions and describe future plans, strategies and expectations of the Company, are generally identifiable by use of the words “believes,” “expects,” “intends,” “anticipates,” “plans,” “seeks,” “estimates,” “projects,” “may” or similar expressions. The ability of the Company to predict results or the actual effect of future plans, strategies or expectations is inherently uncertain. Important factors which may cause actual results to differ materially from the forward-looking statements contained herein or in other public statements by the Company are described, among other places, under the caption of this Report titled “Part I — Item 1A — Risk Factors” and other risks identified from time to time in the Company’s filings with the Securities and Exchange Commission (“SEC”), press releases and other communications by the Company or Zap.Com Corporation. The Company assumes no obligation to update forward-looking statements or to update the reasons actual results could differ from those projected in the forward-looking statements.

### **Item 1. Business**

#### **General**

Zapata Corporation (“Zapata” or “the Company”) was incorporated in Delaware in 1954 and was reincorporated in Nevada in April 1999. The Company’s principal executive offices are at 100 Meridian Centre, Suite 350, Rochester, New York 14618. Zapata’s common stock is listed on the New York Stock Exchange (“NYSE”) and trades under the symbol “ZAP.”

Zapata is a holding company which has approximately \$154.7 million in consolidated cash, cash equivalents and short-term investments at December 31, 2008 and currently owns 98% of Zap.Com Corporation, a public shell company that trades on the over-the-counter electronic bulletin board (“OTCBB”) under the symbol “ZPCM.” In December 2006, the Company completed the disposition of its 57% ownership interest in Omega Protein Corporation (“Omega Protein” or “Omega”) common stock.

The Company files annual reports on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K and amendments to these reports with the United States Securities and Exchange Commission (“SEC”). The Company makes these reports and Section 16 filings by its officers and directors available free of charge on its website at [www.zapatacorp.com](http://www.zapatacorp.com) as soon as reasonably practicable after such reports are electronically filed with, or furnished to, the SEC. Information contained on the Company’s website is not incorporated by reference to this Report. This Report should be read in conjunction with the registration statements, reports and other items that the Company and its current and former subsidiaries file with the SEC.

In addition, the public may read and copy any materials filed by the Company with the SEC at the SEC’s Public Reference Room at 100 F Street, NE, Washington, DC 20549. The public may obtain information on the operation of the Public Reference Room by calling the SEC at 1-800-SEC-0330. The SEC maintains an Internet site that contains reports, proxy and information statements, and other information regarding issuers that file electronically with the SEC at [www.sec.gov](http://www.sec.gov).

Since the December 2006 sale of its Omega shares, Zapata has held substantially all of its cash, cash equivalents and short-term investments in U.S. Government Agency or Treasury securities, and has held no “investment securities” (as that term is defined in the Investment Company Act of 1940 (the “1940 Act”). In addition, Zapata has not held, and does not hold, itself out as an investment company. During this time, Zapata has conducted a good faith search for a merger or acquisition candidate, and has repeatedly and publicly disclosed its

intention to acquire such a business. Based on the foregoing, Zapata believes that it is not an investment company under the 1940 Act.

The Company has not focused and does not intend to focus its acquisition efforts solely on any particular industry. Additionally, while the Company generally focuses its attention in the United States, the Company may investigate acquisition opportunities outside of the United States when management believes that such opportunities might be attractive. The Company does not yet know the structure of any acquisition. The Company may pay consideration in the form of cash, securities of the Company or a combination of both. The Company may raise capital through the issuance of equity or debt and may utilize non-investment grade securities as a part of an acquisition strategy. These types of investments often involve a high degree of risk and may be considered highly speculative.

The Company's two executive officers currently spend a significant amount of their time searching for suitable acquisition candidates. The Company's process for searching for acquisition candidates includes the ongoing development of relationships with a network of investment banks and related firms. In addition, other sources may introduce target businesses that they believe may interest the Company as Zapata is known to be looking for acquisition candidates. As a result of these relationships, contacts and personal networks, potential acquisition candidates are periodically brought to the Company's attention for evaluation. In evaluating a prospective acquisition opportunity, the Company may consider, among other factors, the following:

- Cost and perceived value of purchase price;
- Financial condition, results of operations and cash flows;
- Capital requirements and anticipated availability of required funds;
- Growth potential;
- Experience and skill of management;
- Whether, and the extent to which, the target will likely be required to raise debt and/or equity financing in the future;
- Competitive position as compared to other firms and experience within the industry;
- Barriers to entry;
- The diversity of, and historical revenues generated by, any products, processes, services or other sources;
- Proprietary features and degree of intellectual property or other protection of the products, processes or services.

In identifying, evaluating and selecting a target business, the Company may encounter intense competition from other entities having similar business objectives such as strategic investors, private equity groups and special purpose acquisition corporations. Many of these entities are well established and have extensive experience identifying and effecting business combinations directly or through affiliates. Many of these competitors possess greater technical, human and other resources than Zapata, and Zapata's financial resources will be relatively limited when contrasted with many of these competitors. Any of these factors may place Zapata at a competitive disadvantage in successfully negotiating a business combination. Management believes, however, that Zapata's status as a public entity and potential access to the public equity markets may give the Company a competitive advantage over privately-held entities with a similar business objective to acquire a target business on favorable terms.

As of the date of this Report, due to a variety of factors including the current global economic and financial market conditions and the significant deterioration of the credit markets, competitive pressures, and Zapata's limited funds (as compared to many competitors) available for such a transaction, the Company has been unable to consummate an acquisition. Additionally, as of the date of this Report, Zapata is not a party to any agreements providing for the acquisition of an operating business, business combination or for the sale or other transaction

related to any of its subsidiaries. Also, as of the date of this Report, Zapata has not formally engaged any investment banks or related firms, although it may do so in the future, in which the Company may pay a finder's fee or other compensation in an amount and on such terms to be determined at the time of the engagement in an arm's length negotiation. There can be no assurance that any of these possible transactions will occur or that they will ultimately be advantageous to Zapata or enhance Zapata stockholder value.

In December 2002, the Board of Directors authorized the Company to purchase up to 4.0 million shares of its outstanding common stock in the open market or privately negotiated transactions. No time limit has been placed on the duration of the program and no minimum number or value of shares to be repurchased has been fixed. As of the date of this Report, no shares have been repurchased under this program.

As used throughout this report, "Zapata Corporate" is defined as Zapata Corporation exclusive of its majority owned subsidiary, Zap.Com, and its former majority owned subsidiary, Omega Protein.

*Employees.* As of December 31, 2008, Zapata employed 7 employees, consisting of 2 executives, 3 professional staff in accounting/finance, and 2 performing administrative functions. In addition to typical duties of a CEO and CFO of a publicly traded company, the Company's two executive officers currently spend a significant amount of their time searching for suitable acquisition candidates. The primary function of the Company's accounting/finance employees is fulfilling various reporting requirements associated with being a publicly traded company, which includes addressing various accounting and tax related matters.

### **Zap.Com**

Zap.com is a public shell company that does not have any existing business operations other than complying with its reporting requirements under the Exchange Act. Zap.Com is searching for assets or businesses that it can acquire so that it can become an operating company and may also consider developing a new business suitable for its situation.

As of December 31, 2008, Zap.Com had two employees, Avram Glazer, President and CEO, and Leonard DiSalvo, VP-Finance and Chief Financial Officer. Neither Mr. Glazer nor Mr. DiSalvo receive a salary or bonus from Zap.Com and currently devote a significant portion of their business time to Zapata, where they hold the same offices. Both of these officers, however, devote such time to Zap.Com's affairs as is required to perform their duties to Zap.Com.

### **Discontinued Operations**

Omega Protein is the largest processor, marketer and distributor of fish meal and fish oil products in the United States. During the fourth quarter of fiscal 2006, Zapata sold all of its Omega shares in two separate transactions for \$75.8 million in the aggregate. For the year ended December 31, 2006, Zapata recorded total transaction related losses of \$10.3 million (\$7.2 million net of tax adjustments) related to these transactions. Based on the sale of Zapata's Omega shares, all amounts and disclosures throughout this document related to Omega have been classified as "Discontinued Operations" in accordance with Financial Accounting Standards Board ("FASB") Statement of Financial Accounting Standards ("SFAS") No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets."

### **Financial Information About Segments**

Information required by this section is incorporated by reference from Note 17 to the Company's Consolidated Financial Statements included in Item 8 of this Report.

### **Item 1A. Risk Factors**

Before you invest in shares of our common stock or if you otherwise receive ownership of our common stock, you should be aware that there are various risks which could negatively impact the Company's results of operations, cash flows and financial condition, including those described below. We urge you to carefully consider these risk

factors together with all of the other information included in this filing, the information incorporated in this filing, and other risks and uncertainties identified in Zapata's other public reports, filings made with the SEC, press releases and public statements made by authorized officers of Zapata before you decide to purchase or make an investment decision regarding our common stock.

***Volatility in global credit markets may impact the Company's ability to obtain financing to fund acquisitions.***

Zapata's ability to consummate an acquisition may be largely dependent on our ability to obtain financing. The current global economic and financial market conditions, including severe disruptions in the credit markets and the potential for a significant and prolonged global economic recession, may impact our ability to obtain sufficient credit to finance an acquisition until the conditions become more favorable.

***We may not be successful in identifying any suitable future acquisition opportunities.***

There is no assurance that we will be successful in identifying or consummating any suitable future acquisitions, and, if an acquisition does occur, there is no assurance that it will be successful in enhancing our business or will increase our earnings or not materially adversely affect our financial condition. We face significant competition for acquisition opportunities, which may inhibit our ability to complete suitable transactions or increase the cost that must be paid. Future acquisitions could also divert a substantial amount of our time, result in reductions in earnings or may be difficult to integrate with existing operations. We may, in the future, issue additional shares of common stock or other securities in connection with one or more acquisitions, which may dilute our stockholders. Depending upon the size and number of any future acquisitions, we may also borrow money to fund our acquisitions. In that event, our stockholders would be subject to the risks normally associated with leveraged transactions, including the inability to service the debt or the dedication of a significant amount of cash flow to service the debt, limitations on our ability to secure future financing and the imposition of certain operating restrictions.

***The market liquidity for our common stock is relatively low and may make it difficult to purchase or sell our stock.***

As of February 24, 2009, the Company had 19,276,334 shares of common stock outstanding. The average daily trading volume in our stock during the twelve month period ended December 31, 2008 was approximately 5,500 shares. Although a more active trading market may develop in the future, the limited market liquidity for our stock could affect a stockholder's ability to sell at a price satisfactory to that stockholder.

***We may suffer adverse consequences if we are deemed an investment company and we may incur significant costs to avoid investment company status.***

Since the December 2006 sale of its Omega shares, Zapata has held substantially all of its assets in cash, cash equivalents and short-term investments in U.S. Government Agency and Treasury securities, and has held no "investment securities." In addition, Zapata has not held, and does not hold, itself out as an investment company. Zapata has been conducting a good faith search for a merger or acquisition candidate, and has repeatedly and publicly disclosed its intention to acquire such a business. However, as of the date of this Report, due to a variety of factors including the current global economic and financial market conditions and the significant deterioration of the credit markets, competitive pressures in the market and Zapata's limited funds (as compared to many competitors) available for such an acquisition, it has been unable to consummate such a transaction. Based on the foregoing, Zapata believes that it is not an investment company under the 1940 Act. If the SEC or a Court were to disagree with Zapata, the Company could be required to register as an investment company. This would negatively affect our ability to consummate an acquisition of an operating company, subjecting us to disclosure and accounting rules geared toward investment, rather than operating, companies; limiting our ability to borrow money, issue options, issue multiple classes of stock and debt, and engage in transactions with affiliates; and requiring Zapata to

undertake significant costs and expenses to meet the disclosure and regulatory requirements to which it would be subject as a registered investment company.

***Since we already meet the ownership criteria of the personal holding company rules, we may continue to pay an additional tax on future undistributed personal holding company income if Zapata Corporate generates passive income in excess of operating expenses.***

Section 541 of the Internal Revenue Code of 1986, as amended (the “IRC”), subjects a corporation, which is a “personal holding company” as defined in the IRC, to a 15% tax on “undistributed personal holding company income” in addition to the corporation’s normal income tax. Generally, undistributed personal holding company income is based on taxable income, subject to certain adjustments, most notably a reduction for federal income taxes. Personal holding company income is comprised primarily of passive investment income plus, under certain circumstances, personal service income. A corporation is generally considered to be a personal holding company if (1) 60% or more of its adjusted ordinary gross income is personal holding company income and (2) 50% or more of its outstanding common stock is owned, directly or indirectly, by five or fewer individuals at any time during the last half of the taxable year.

The Company believes that five or fewer of Zapata’s stockholders hold 50% or more of its outstanding common stock for purposes of IRC Section 541 and substantially all of the Company’s gross income qualifies as personal holding company income. However, as of December 31, 2008, Zapata and its domestic subsidiaries had no undistributed personal holding company income due to losses generated by the consolidated tax filing group and therefore has not recorded a personal holding company tax liability.

Depending on the dates and sizes of future business combination transactions, it is possible that Zapata or its domestic subsidiaries could have at least 60% of adjusted ordinary gross income consist of personal holding company income as discussed above. In addition, depending on the concentration of Company stock, it is possible that more than 50% of our stock will continue to be owned by five or fewer stockholders. Thus, there can be no assurance that Zapata will not be subject to this tax in the future that in turn may materially and adversely impact the Company’s financial position, results of operations and cash flows. In addition, if we continue to be subject to this tax, future statutory tax rate increases could significantly increase consolidated tax expense and adversely affect operating results and cash flows.

***A change of ownership could reduce the benefits associated with the Company’s tax assets.***

A change of ownership pursuant to Section 382 of the IRC could significantly impact or possibly eliminate our ability to utilize our net operating losses and/or alternative minimum tax credits. An ownership change for this purpose is generally a change in the majority ownership of a company over a three year period.

***Our Company is majority-owned by the Malcolm I. Glazer Family Limited Partnership. As a result of this ownership, we are a “controlled company” within the meaning of the New York Stock Exchange rules and are exempt from certain corporate governance requirements.***

Our majority stockholder, the Malcolm I. Glazer Family Limited Partnership, has the ability to effectively control our management and affairs. In addition, any action requiring a simple-majority stockholder vote can be determined solely by our majority stockholder. This includes the ability to elect all members of our Board of Directors and determine the outcome of certain corporate actions requiring majority stockholder approval, such as merger and acquisition decisions, and the election of directors, or sale of all or substantially all of our assets. This level of ownership may also have a significant effect in delaying, deferring, or preventing a change in control of Zapata and may adversely affect the voting and other rights of other holders of our common stock.

Under the New York Stock Exchange rules, a company of which more than 50% of the voting power is held by an individual, a group, or another company is a “controlled company” and may elect not to comply with certain New York Stock Exchange corporate governance requirements, including (1) the requirement that a majority of the board of directors consist of independent directors, (2) the requirement that a nominating/corporate governance

committee be in place that is composed entirely of independent directors with a written charter addressing the committee's purpose and responsibilities and (3) the requirement that a compensation committee be in place that is composed entirely of independent directors with a written charter addressing the committee's purpose and responsibilities. Though we have utilized exemptions (1) and (2) above, the Company currently has a Compensation Committee comprised entirely of independent directors with a written charter addressing the committee's purpose and responsibilities. However, there can be no assurance that we will continue to have a compensation committee comprised entirely of independent directors, nor that we will continue to utilize the other exemptions while we are a controlled company.

***Agreements and transactions involving former subsidiaries or related parties may give rise to future claims that could materially adversely impact our capital resources.***

Throughout our history, we have entered into numerous transactions relating to the sale, disposal or spin-off of partially and wholly owned subsidiaries, including the recent sale of shares of Omega Protein. We may have continuing obligations pursuant to certain of these transactions, including obligations to indemnify other parties to agreements or be subject to risks resulting from these transactions. For example, during the third quarter of 2005, we were notified by Weatherford International Inc. ("Weatherford") of a claim for reimbursement in connection with the investigation and cleanup of purported environmental contamination at two properties formerly owned by a non-operating Zapata subsidiary. The claim was made under an indemnification provision given by Zapata to Weatherford in a 1995 asset purchase agreement and relates to alleged environmental contamination that purportedly existed on the properties prior to the date of the sale. See Item 8, "Note 11. Commitments and Contingencies" for further description of the Weatherford claim. There can be no assurance that the Company will not incur costs and expenses in excess of our reserve in connection with Weatherford.

***Litigation defense and settlement costs may be material.***

There can be no assurance that we will prevail in any pending litigation in which we are involved, or that our insurance coverage will be adequate to cover any potential losses. To the extent that we sustain losses from any pending litigation which are not presently reserved or otherwise provided for or insured against, our business, results of operations, cash flows and/or financial condition could be adversely affected.

***Future acquisitions and dispositions may not require a shareholder vote and may be material to the Company.***

Any future acquisitions could be material in size and scope, and since we have not yet identified any additional assets, property or business that we may acquire or develop, potential investors will have virtually no substantive information about any such new business upon which to base a decision whether to invest in the company. In any event, depending upon the size and structure of any future acquisitions, stockholders may not have the opportunity to vote on the transaction, or access to any information about any new business until such time as a transaction is completed and we file a report with the SEC disclosing the nature of such transaction and/or business. For example, during September and October 2003, stockholders were informed through press releases and SEC filings that we had acquired a significant stake in Safety Components International, Inc. ("Safety Components"). Such transactions materially affected our financial position, results of operations and cash flows. In the Safety Components acquisition, we utilized approximately \$47.8 million of our cash, cash equivalents and short-term investments to complete the acquisition.

***Section 404 of the Sarbanes-Oxley Act of 2002 requires us to document and test our internal controls over financial reporting and to report on our assessment as to the effectiveness of these controls. Any delays or difficulty in satisfying these requirements or negative reports concerning our internal controls could adversely affect our future results of operations and our stock price.***

We may in the future discover areas of our internal controls that need improvement, particularly with respect to business that we may acquire in the future. We cannot be certain that any remedial measures we take will ensure that



we implement and maintain adequate internal controls over our financial reporting processes and reporting in the future. Any failure to implement required new or improved controls, or difficulties encountered in their implementation could harm our operating results or cause us to fail to meet our reporting obligations. If we are unable to conclude that we have effective internal controls over financial reporting, or if our independent auditors are unable to provide us with an unqualified report regarding the effectiveness of our internal controls over financial reporting as required by Section 404, investors could lose confidence in the reliability of our financial statements, which could result in a decrease in the value of our common stock. Failure to comply with Section 404 could potentially subject us to sanctions or investigations by the SEC, or other regulatory authorities, which could also result in a decrease in the value of our common stock.

**Item 1B. *Unresolved Staff Comments***

None.

**Item 2. *Properties***

Zapata’s corporate headquarters are located in Rochester, New York where the Company leases approximately 3,000 square feet of office space. Zapata believes its facilities and those of its subsidiaries are adequate and suitable for its current level of operations.

Zap.Com’s headquarters are located in Rochester, New York, in space subleased to it by Zapata on a month-to-month basis. Zapata has advised Zap.Com that it will not charge rent or other fees for the use of this space for future periods until further notice.

**Item 3. *Legal Proceedings***

None.

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

None.

**PART II**

**Item 5. *Market for Registrant’s Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities***

**Market Information and Dividends**

Zapata’s common stock is listed on the New York Stock Exchange (“NYSE”) and trades under the symbol “ZAP.” The high and low sales prices for the Company’s common stock for each quarterly period for the last two fiscal years are shown in the following table.

	<u>High</u>	<u>Low</u>
<b>Year Ended December 31, 2008</b>		
First Quarter . . . . .	\$7.34	\$6.75
Second Quarter . . . . .	7.31	6.81
Third Quarter . . . . .	7.14	6.41
Fourth Quarter . . . . .	7.00	4.96
<b>Year Ended December 31, 2007</b>		
First Quarter . . . . .	\$7.41	\$6.66
Second Quarter . . . . .	7.48	6.57
Third Quarter . . . . .	7.20	6.63
Fourth Quarter . . . . .	7.34	6.72

The Company has not declared any dividends since the Company’s Board of Directors discontinued dividend payments in 1998 and the Company does not anticipate paying dividends in the foreseeable future.

On December 6, 2002, the Board of Directors authorized the Company to purchase up to 4.0 million shares of its outstanding common stock in the open market or privately negotiated transactions. The shares may be purchased from time to time as determined by the Company. Any purchased shares would be placed in treasury and may subsequently be reissued for general corporate purposes. The repurchases will be made only at such times as are permissible under the federal securities laws. No time limit has been placed on the duration of the program and no minimum number or value of shares to be repurchased has been fixed. Zapata reserves the right to discontinue the repurchase program at any time and there can be no assurance that any repurchases will be made. As of the date of this Report, no shares have been repurchased under this program.

As of February 24, 2009, there were approximately 1,850 holders of record of common stock. This number does not include the stockholders for whom shares are held in a “nominee” or “street” name.

### Securities Authorized for Issuance under Equity Compensation Plans

The following table sets forth information as of December 31, 2008, with respect to compensation plans under which equity securities of the Company are authorized for issuance:

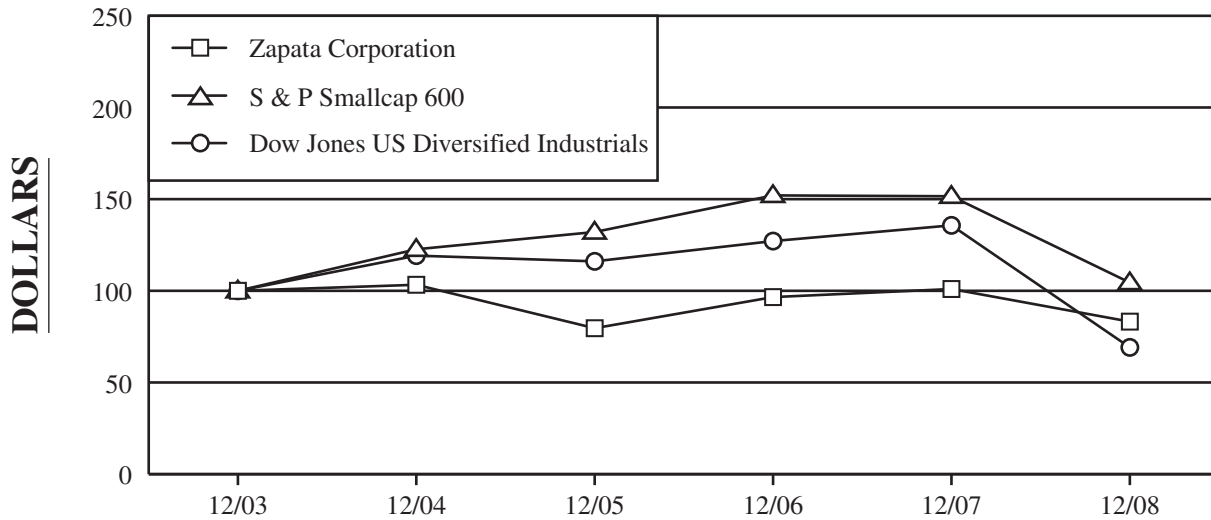
<u>Plan Category</u>	<u>Number of Securities to Be Issued Upon Exercise of Outstanding Options, Warrants and Rights(a)</u> (In thousands)	<u>Weighted-Average Exercise Price of Outstanding Options, Warrants and Rights(b)</u>	<u>Number of Securities Remaining Available for Future Issuance Under Equity Compensation Plans (Excluding Securities Reflected in Column(a))(c)</u> (In thousands)
Equity compensation plans approved by security holders . . . . .	427	\$5.12	5,976
Equity compensation plans not approved by security holders . . . . .	<u>—</u>	<u>—</u>	<u>—</u>
Total . . . . .	<u>427</u>	<u>\$5.12</u>	<u>5,976</u>

**Performance Graph**

The following graph compares the performance of the Company’s common stock with the performance of the S&P SmallCap 600 Index and the Dow Jones Industrial Diversified Index by measuring the changes in common stock prices from December 31, 2003. The stock price performance shown on the graph is not necessarily indicative of future price performance.

The Stock Performance Graph shall not be deemed incorporated by reference by any general statement incorporating by reference the Proxy Statement into any filing under the Securities Act of 1933 or under the Securities Exchange Act of 1934, except to the extent that the Company specifically incorporates this document by reference and shall not otherwise be deemed filed.

**COMPARISON OF 5 YEAR CUMULATIVE TOTAL RETURN\***  
**Among Zapata Corporation, The S&P Smallcap 600 Index**  
**And The Dow Jones US Diversified Industrials Index**



\* \$100 invested on 12/31/03 in stock & index-including reinvestment of dividends.  
 Fiscal year ending December 31.

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	12/03	12/04	12/05	12/06	12/07	12/08
Zapata Corporation	100.00	103.29	79.60	96.57	100.98	83.19
S&P Smallcap 600	100.00	122.65	132.07	152.04	151.58	104.48
Dow Jones US Diversified Industrials	100.00	119.18	116.07	127.13	135.70	69.14

## Item 6. Selected Financial Data

The following table sets forth certain selected historic consolidated financial information of the Company for the periods and as of the dates presented and should be read in conjunction with the Company's Consolidated Financial Statements and the related notes thereto included in Item 8 of this Report and with "Management's Discussion and Analysis of Financial Condition and Results of Operations" included in Item 7 of this Report. All amounts are in thousands, except for per share amounts.

	For the Year Ended December 31,				
	2008	2007	2006(1)	2005(2)	2004
<b>Income Statement Data:</b>					
Revenues . . . . .	\$ —	\$ —	\$ —	\$ —	\$ —
Operating loss . . . . .	(3,237)	(3,388)	(4,730)	(5,517)	(4,376)
Loss (income) from continuing operations . . . . .	(12)	2,551	(273)	(3,112)	(3,287)
(Loss) income from discontinued operations(3) . . . . .	—	—	(4,390)	(6,064)	7,020
Net (loss) income . . . . .	(12)	2,551	(4,663)	(9,176)	3,733
Net (loss) income per share — basic and diluted:					
(Loss) income from continuing operations . . . . .	(0.00)	0.13	(0.01)	(0.16)	(0.17)
(Loss) income from discontinued operations . . . . .	—	—	(0.23)	(0.32)	0.37
Net (loss) income per share — basic and diluted . . . . .	(0.00)	0.13	(0.24)	(0.48)	0.20
<b>Cash Flow Data:</b>					
Capital expenditures . . . . .	—	—	—	—	—

	December 31,				
	2008	2007	2006(1)	2005(2)	2004
<b>Balance Sheet Data:</b>					
Working capital . . . . .	\$153,908	\$154,275	\$150,490	\$155,503	\$142,388
Property and equipment, net . . . . .	—	—	3	19	53
Total assets . . . . .	164,032	165,444	163,731	304,756	371,680
Stockholders' equity . . . . .	158,814	162,099	159,268	171,684	186,314

- (1) During 2006, the Company sold its approximate 57% ownership interest in Omega Protein in two separate transactions for combined proceeds of \$75.5 million. In conjunction with the sales, the Company recognized transaction related losses of \$10.3 million (\$7.2 million net of tax adjustments). Such amounts are included under Discontinued Operations for the year ended December 31, 2006.
- (2) During 2005, the Company sold its approximate 77% ownership interest in Safety Components for proceeds of \$51.2 million. Accordingly, the Company recognized a loss on sale of \$12.2 million (\$9.9 million net of tax effects). Such amounts are included under Discontinued Operations for the year ended December 31, 2005.
- (3) Income (loss) from discontinued operations includes transaction related losses as discussed above and the operating results for Omega Protein and Safety Components for all periods presented.

## Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operation

The following is a discussion of the Company's financial condition and results of operations. This discussion should be read in conjunction with the Company's Consolidated Financial Statements included in Item 8 of this Report. This discussion contains forward-looking statements that involve risks and uncertainties. The Company's actual results could differ materially from those discussed herein. Factors that could cause or contribute to such differences include, but are not limited to, those discussed above in "Part I, Item 1A., Risk Factors," as well as those discussed in this section and elsewhere in this report.

## Overview

Zapata is a holding company which has approximately \$154.7 million in consolidated cash, cash equivalents and short-term investments at December 31, 2008 and currently owns 98% of Zap.Com Corporation, a public shell company. In December 2006, the Company completed the disposition of its 57% ownership interest in Omega Protein common stock.

Since the December 2006 sale of its Omega shares, Zapata has held substantially all of its cash, cash equivalents and short-term investments in U.S. Government Agency or Treasury securities, and has held no “investment securities” (as that term is defined in the Investment Company Act of 1940 (the “1940 Act”). In addition, Zapata has not held, and does not hold, itself out as an investment company. During this time, Zapata has conducted a good faith search for a merger or acquisition candidate, and has repeatedly and publicly disclosed its intention to acquire such a business. Based on the foregoing, Zapata believes that it is not an investment company under the 1940 Act.

The Company has not focused and does not intend to focus its acquisition efforts solely on any particular industry. Additionally, while the Company generally focuses its attention in the United States, the Company may investigate acquisition opportunities outside of the United States when management believes that such opportunities might be attractive. The Company does not yet know the structure of any acquisition. The Company may pay consideration in the form of cash, securities of the Company or a combination of both. The Company may raise capital through the issuance of equity or debt and may utilize non-investment grade securities as a part of an acquisition strategy. These types of investments often involve a high degree of risk and may be considered highly speculative.

The Company’s two executive officers currently spend a significant amount of their time searching for suitable acquisition candidates. The Company’s process for searching for acquisition candidates includes the ongoing development of relationships with a network of investment banks and related firms. In addition, other sources may introduce target businesses that they believe may interest the Company as Zapata is known to be looking for acquisition candidates. As a result of these relationships, contacts and personal networks, potential acquisition candidates are periodically brought to the Company’s attention for evaluation. In evaluating a prospective acquisition opportunity, the Company may consider, among other factors, the following:

- Cost and perceived value of purchase price;
- Financial condition, results of operations and cash flows;
- Capital requirements and anticipated availability of required funds;
- Growth potential;
- Experience and skill of management;
- Whether, and the extent to which, the target will likely be required to raise debt and/or equity financing in the future;
- Competitive position as compared to other firms and experience within the industry;
- Barriers to entry;
- The diversity of, and historical revenues generated by, any products, processes, services or other sources;
- Proprietary features and degree of intellectual property or other protection of the products, processes or services.

In identifying, evaluating and selecting a target business, the Company may encounter intense competition from other entities having similar business objectives such as private equity groups and special purpose acquisition corporations. Many of these entities are well established and have extensive experience identifying and effecting business combinations directly or through affiliates. Many of these competitors possess greater technical, human and other resources than Zapata, and Zapata’s financial resources will be relatively limited when contrasted with many of these competitors. Any of these factors may place Zapata at a competitive disadvantage in successfully negotiating a business combination. Management believes, however, that Zapata’s status as a public entity and potential access to the public equity markets may give the Company a competitive advantage over privately-held entities with a similar business objective to acquire a target business on favorable terms.

As of the date of this Report, due to a variety of factors including the current global economic and financial market conditions and the significant deterioration of the credit markets, competitive pressures, and Zapata's limited funds (as compared to many competitors) available for such a transaction, the Company has been unable to consummate an acquisition. Additionally, as of the date of this Report, Zapata is not a party to any agreements providing for the acquisition of an operating business, business combination or for the sale or other transaction related to any of its subsidiaries. Also, as of the date of this Report, Zapata has not formally engaged any investment banks or related firms, although it may do so in the future, in which the Company may pay a finder's fee or other compensation in an amount and on such terms to be determined at the time of the engagement in an arm's length negotiation. There can be no assurance that any of these possible transactions will occur or that they will ultimately be advantageous to Zapata or enhance Zapata stockholder value.

In December 2002, the Board of Directors authorized the Company to purchase up to 4.0 million shares of its outstanding common stock in the open market or privately negotiated transactions. No time limit has been placed on the duration of the program and no minimum number or value of shares to be repurchased has been fixed. As of the date of this Report, no shares have been repurchased under this program.

### **Zap.Com**

Zap.Com is a public shell company which does not have any existing business operations other than complying with its reporting requirements under the Exchange Act. Zap.Com is searching for assets or businesses that it can acquire so that it can become an operating company and may also consider developing a new business suitable for its situation.

### **Discontinued Operations**

Omega Protein is the largest processor, marketer and distributor of fish meal and fish oil products in the United States. During the fourth quarter of fiscal 2006, Zapata sold all of its Omega shares in two separate transactions for \$75.8 million in the aggregate. For the year ended December 31, 2006, Zapata recorded total transaction related losses of \$10.3 million (\$7.2 million net of tax adjustments) related to these transactions. Based on the sale of Zapata's Omega shares, all amounts and disclosures throughout this document related to Omega have been classified as "Discontinued Operations" in accordance with Statement of Financial Accounting Standards ("SFAS") No. 144, "Accounting for the Impairment or Disposal of Long-lived Assets".

### **Consolidated Results of Operations**

The following tables summarize Zapata's consolidating results of operations (in thousands, except per share amounts).

	<u>Zapata Corporate</u>	<u>Zap.Com</u>	<u>Consolidated</u>
<b>Year Ended December 31, 2008</b>			
Revenues . . . . .	\$ —	\$ —	\$ —
Cost of revenues . . . . .	<u>—</u>	<u>—</u>	<u>—</u>
Gross profit . . . . .	—	—	—
Operating expense:			
General and administrative . . . . .	<u>3,153</u>	<u>84</u>	<u>3,237</u>
Operating loss . . . . .	(3,153)	(84)	(3,237)
Other income:			
Interest income . . . . .	2,983	30	3,013
Other, net . . . . .	<u>107</u>	<u>6</u>	<u>113</u>
	3,090	36	3,126
Loss before income taxes and minority interest . . . . .	(63)	(48)	(111)
Benefit for income taxes . . . . .	98	—	98
Minority interest in net loss of consolidated subsidiaries(2) . . . . .	<u>—</u>	<u>1</u>	<u>1</u>
Net income (loss) . . . . .	<u>\$ 35</u>	<u>\$(47)</u>	<u>\$ (12)</u>
Diluted loss per share . . . . .			<u>\$ 0.00</u>

	<u>Zapata Corporate</u>	<u>Zap.Com</u>	<u>Consolidated</u>
<b>Year Ended December 31, 2007</b>			
Revenues . . . . .	\$ —	\$ —	\$ —
Cost of revenues . . . . .	<u>—</u>	<u>—</u>	<u>—</u>
Gross profit . . . . .	—	—	—
Operating expense:			
General and administrative . . . . .	<u>3,228</u>	<u>160</u>	<u>3,388</u>
Operating loss . . . . .	(3,228)	(160)	(3,388)
Other income:			
Interest income . . . . .	7,596	85	7,681
Other, net . . . . .	<u>570</u>	<u>—</u>	<u>570</u>
	8,166	85	8,251
Income (loss) before income taxes and minority interest . . . . .	4,938	(75)	4,863
Provision for income taxes . . . . .	(2,313)	—	(2,313)
Minority interest in net loss of consolidated subsidiaries(2) . . . . .	<u>—</u>	<u>1</u>	<u>1</u>
Net income (loss) . . . . .	<u>\$ 2,625</u>	<u>\$ (74)</u>	<u>\$ 2,551</u>
Diluted income per share . . . . .			<u>\$ 0.13</u>

	<u>Zapata Corporate</u>	<u>Zap.Com</u>	<u>Discontinued Operations(1)</u>	<u>Consolidated</u>
<b>Year Ended December 31, 2006</b>				
Revenues . . . . .	\$ —	\$ —	\$ —	\$ —
Cost of revenues . . . . .	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
Gross profit . . . . .	—	—	—	—
Operating expense:				
General and administrative . . . . .	<u>4,597</u>	<u>133</u>	<u>—</u>	<u>4,730</u>
Operating loss . . . . .	(4,597)	(133)	—	(4,730)
Other income				
Interest income . . . . .	3,975	84	—	4,059
Other, net . . . . .	<u>580</u>	<u>—</u>	<u>—</u>	<u>580</u>
	4,555	84	—	4,639
Loss before income taxes and minority interest . . . . .	(42)	(49)	—	(91)
Provision for income taxes . . . . .	(183)	—	—	(183)
Minority interest in net loss of consolidated subsidiaries(2) . . . . .	<u>—</u>	<u>1</u>	<u>—</u>	<u>1</u>
Loss from continuing operations . . . . .	<u>(225)</u>	<u>(48)</u>	<u>—</u>	<u>(273)</u>
Discontinued operations:				
(Loss) income before taxes and minority interest (including loss on disposal) . . . . .	(10,270)	—	6,358	(3,912)
Benefit (provision) for income taxes . . . . .	3,054	—	(1,480)	1,574
Minority interest(2) . . . . .	<u>—</u>	<u>—</u>	<u>(2,052)</u>	<u>(2,052)</u>
(Loss) income from discontinued operations . . . . .	(7,216)	—	2,826	(4,390)
Net (loss) income . . . . .	<u>\$ (7,441)</u>	<u>\$ (48)</u>	<u>\$ 2,826</u>	<u>\$ (4,663)</u>
Diluted loss per share . . . . .				<u>\$ (0.24)</u>

- 
- (1) Results of operations related to Omega Protein have been disclosed within discontinued operations in accordance with SFAS No. 144.
  - (2) Minority interest represents the minority stockholders' interest in the net income (loss) of each segment.

For information affecting period to period comparability see the notes to the selected financial data included in "Item 6 — Selected Financial Data." For more information concerning segments, see Note 17 to the Company's Consolidated Financial Statements included in Item 8 of this Report.

### **2008 Compared to 2007**

Zapata reported a consolidated net loss of \$12,000 or \$0.00 per diluted share for the year ended December 31, 2008 as compared to consolidated net income of \$2.6 million or \$0.13 per diluted share in 2007. On a consolidated basis, the change from net income to net loss resulted primarily from decreased interest income during 2008 as compared to 2007.

The following presents a more detailed discussion of the consolidated operating results:

*Revenues.* For the years ended December 31, 2008 and 2007, Zapata had no revenues from continuing operations. Since the Company sold its remaining operating business in December 2006, the Company does not expect to recognize revenues until the Company acquires one or more operating businesses.

*Cost of revenues.* For the years ended December 31, 2008 and 2007, Zapata had no cost of revenues from continuing operations.

*General and administrative expenses.* Consolidated general and administrative expenses consist primarily of salaries and benefits, professional fees (including legal and accounting incurred in connection with ongoing regulatory compliance as a public company, financial statement audits and defense of pending litigation), occupancy costs for corporate offices, insurance costs and general corporate expenses. For the year ended December 31, 2008, general and administrative expenses totaled \$3.2 million and had decreased \$151,000 from the prior year as a result of decreases in professional fees and costs.

The Company expects to recognize approximately \$1.0 million of pension expense during 2009 as compared to approximately \$122,000 during 2008. The projected increase is primarily attributable to a decrease in the expected return on plan assets which was caused by (1) a substantial decline in the market value of the plan assets during 2008 and (2) a decrease in the assumption used for the expected long-term return on plan assets.

*Interest income.* Consolidated interest income decreased \$4.7 million from \$7.7 million for the year ended December 31, 2007 to \$3.0 million for the year ended December 31, 2008. This decrease was primarily attributable to sustained lower interest rates on cash equivalents and investments during 2008 as compared to 2007. In July 2008, due to market conditions and in an effort to preserve principal, the Company liquidated its U.S. Government Agency securities and purchased U.S. Treasury securities with the proceeds. On the date of liquidation, the Company realized a consolidated loss of approximately \$90,000. Although the Treasury securities generally have lower yields, they are fully insured by the U.S. Government against risk of loss. Accordingly, while the Company's funds are invested in Treasury securities, interest income will be less than it would have been before this change.

*Income taxes.* The Company recorded a consolidated benefit for income taxes of \$98,000 for the year ended December 31, 2008 as compared to a provision for income taxes of \$2.3 million for the prior year. On a consolidated basis, the change from a provision to a benefit for income taxes was primarily attributable to a decrease in interest income recognized during the year ended December 31, 2008 as compared to the prior year. Additionally, a decline in interest income in 2008 caused the Company to not have any personal holding company income tax due at year end. Accordingly, no accrual for a 15% tax on undistributed personal holding company income was required for the year ended December 31, 2008 as was required for the prior year.

### **2007 Compared to 2006**

Zapata reported consolidated net income of \$2.6 million or \$0.13 per diluted share for the year ended December 31, 2007 as compared to a consolidated net loss of \$4.7 million or \$(.24) per diluted share in 2006. On a



consolidated basis, the change from net loss to net income resulted from increased interest income at Zapata Corporate, as well as not recognizing discontinued operations and loss on sale related to Omega Protein during 2007 as compared to 2006.

The following presents a more detailed discussion of the consolidated operating results:

*Revenues from continuing operations.* For the years ended December 31, 2007 and 2006, Zapata had no revenues from continuing operations.

*Cost of revenues from continuing operations.* For the years ended December 31, 2007 and 2006, Zapata had no cost of revenues from continuing operations.

*General and administrative expenses from continuing operations.* Consolidated general and administrative expenses decreased \$1.3 million from \$4.7 million in 2006 to \$3.4 million in 2007. General and administrative expenses for 2006 included \$490,000 of consulting expenses paid to Malcolm Glazer (Zapata's former Chairman of the Board of Directors) prior to the expiration of his consulting agreement and a curtailment loss of approximately \$147,000 related to the freezing of the Zapata qualified defined benefit pension plan. These expenses were not incurred during 2007. The remaining decrease resulted primarily from a current period decrease in actuarially determined pension expenses of \$197,000, a decrease of \$125,000 in stock based compensation charges as certain option grants became fully vested during the prior year and a decrease in professional fees.

*Interest income from continuing operations.* Consolidated interest income increased \$3.6 million to \$7.7 million for the year ended December 31, 2007. This increase was primarily attributable to increases at Zapata Corporate resulting from increased cash balances available for investment after selling its common stock holdings in Omega Protein in December of 2006.

*Income taxes from continuing operations.* The Company recorded a consolidated provision for income taxes of \$2.3 million for the year ended December 31, 2007 as compared to \$183,000 for the prior year. On a consolidated basis, the increase in the provision for income taxes was primarily attributable to a significant increase in interest income, the recognition of a 15% tax on undistributed personal holding company income, and decreases in general and administrative expenses during the year ended December 31, 2007 as compared to the comparable period in the prior year.

*Net income from discontinued operations.* Pursuant to the Zapata Board of Directors' approval of the plan to sell the Company's shares of Omega Protein and the subsequent sale of these shares in December 2006, all operating results related to Omega were reclassified and included in discontinued operations. For the year ended December 31, 2006, the Company recognized a net loss from discontinued operations of \$4.4 million, as compared to no amounts related to discontinued operations in 2007 due to the timing of the sale.

## **Liquidity and Capital Resources**

Zapata and Zap.Com are separate public companies. Accordingly, the capital resources and liquidity of Zap.Com is independent of Zapata. The working capital and other assets of Zap.Com are dedicated to Zap.Com and are not expected to be readily available for the general corporate purposes of Zapata, except for any dividends that may be declared and paid to its stockholders. Zapata has never received any dividends from Zap.Com. In addition, Zapata does not have any investment commitments to Zap.Com.

Zapata Corporate's liquidity needs are primarily for salaries and benefits, professional fees (including legal and accounting incurred in connection with ongoing regulatory compliance as a public company, financial statement audits and defense of pending litigation), occupancy costs for corporate offices, insurance costs and general corporate expenses. The Company may also utilize a significant portion of its cash, cash equivalents and short-term investments to fund all or a portion of the cost of any future acquisitions.

The following table summarizes information about Zapata's consolidated contractual obligations (in thousands) as of December 31, 2008 and the effect such obligations are expected to have on its consolidated liquidity and cash flow in future periods:

<u>Zapata Consolidated Contractual Obligations(1)</u>	<u>Payments Due by Period</u>				
	<u>Total</u>	<u>Less than 1 Year</u>	<u>1 to 3 Years</u>	<u>3 to 5 Years</u>	<u>More than 5 Years</u>
Pension liabilities(2) . . . . .	\$3,008	\$104	\$186	\$169	\$2,549
Consulting agreement(3) . . . . .	455	113	225	117	—
Operating lease obligations(4) . . . . .	<u>121</u>	<u>76</u>	<u>45</u>	<u>—</u>	<u>—</u>
Total contractual obligations . . . . .	<u>\$3,584</u>	<u>\$292</u>	<u>\$456</u>	<u>\$286</u>	<u>\$2,550</u>

- (1) The Company also has \$748,000 of potential obligations related to uncertain tax positions for which the timing and amount of payment can not be reasonably estimated due to the nature of the uncertainties. See Note 10 to the Company's Consolidated Financial Statements Included in Item 8 of this Report.
- (2) For more information concerning pension liabilities, see Note 12 to the Company's Consolidated Financial Statements included in Item 8 of this Report.
- (3) Amounts in this category relate to a consultancy and retirement agreement entered into in 1981 with a former executive officer of the Company.
- (4) For more information concerning operating leases, see Note 11 to the Company's Consolidated Financial Statements included in Item 8 of this Report.

Zapata's current source of liquidity is its cash, cash equivalents and short-term investments and the interest income it earns on these funds. Zapata expects these assets to continue to be a source of liquidity except to the extent that they may be used to fund the acquisition of operating businesses, funding of start-up proposals and possible stock repurchases. As of December 31, 2008, Zapata Corporate's cash, cash equivalents and short-term investments totaled \$154.7 million as compared to \$154.3 million as of December 31, 2007. This increase resulted primarily from an excess of interest payments received, primarily those received during the first half of 2008, over cash used by Zapata Corporate's operations during 2008.

Based on current levels of operations, Zapata management believes that the Company's cash, cash equivalents and short-term investments on hand will be adequate to fund its operational and capital requirements for at least the next twelve months. Depending on the size and terms of future acquisitions of operating companies, Zapata may raise additional capital through the issuance of equity or debt. There is no assurance, however, that such capital will be available at the time, in the amounts necessary or with terms satisfactory to Zapata.

### **Off-Balance Sheet Arrangements**

The Company and its subsidiaries do not have any off-balance sheet arrangements that are material to its financial position, results of operations or cash flows. The Company is a party to agreements with its officers, directors and to certain outside parties. For further discussion of these guarantees, see Note 11 to the Consolidated Financial Statements included in Item 8 of this Report.

## Summary of Cash Flows

The following table summarizes Zapata's consolidating cash flow information (in thousands) for the last three fiscal years:

	<u>Zapata Corporate</u>	<u>Zap.Com</u>	<u>Consolidated</u>	
<b>Year Ended December 31, 2008</b>				
<b>Cash provided by (used in)</b>				
Operating activities . . . . .	\$ 479	\$(90)	\$ 389	
Investing activities . . . . .	3,054	—	3,054	
Net increase (decrease) in cash and cash equivalents . . . . .	<u>\$3,533</u>	<u>\$(90)</u>	<u>\$3,443</u>	
	<u>Zapata Corporate</u>	<u>Zap.Com</u>	<u>Consolidated</u>	
<b>Year Ended December 31, 2007</b>				
<b>Cash provided by (used in)</b>				
Operating activities . . . . .	\$2,219	\$(37)	\$2,182	
Investing activities . . . . .	180	—	180	
Net increase (decrease) in cash and cash equivalents . . . . .	<u>\$2,399</u>	<u>\$(37)</u>	<u>\$2,362</u>	
	<u>Zapata Corporate</u>	<u>Zap.Com</u>	<u>Discontinued Operations(1)</u>	
<b>Year Ended December 31, 2006</b>				
<b>Cash (used in) provided by</b>				
Operating activities . . . . .	\$ (625)	\$(35)	\$ 2,363	\$ 1,703
Investing activities . . . . .	60,342	—	(16,534)	43,808
Financing activities . . . . .	196	—	(3,714)	(3,518)
Effect of exchange rate changes on cash and cash equivalents . . . . .	—	—	(5)	(5)
Net increase (decrease) in cash and cash equivalents . . . . .	<u>\$59,913</u>	<u>\$(35)</u>	<u>\$(17,890)</u>	<u>\$41,988</u>

(1) Cash flow information related to Omega Protein has been disclosed within discontinued operations.

### *Net cash provided by operating activities.*

Consolidated cash provided by operating activities was \$389,000 and \$2.2 million for the years ended December 31, 2008 and 2007, respectively. This decrease resulted from less interest income during the year ended December 31, 2008 as compared to the prior year.

Consolidated cash provided by operating activities was \$2.2 million and \$1.7 million for the years ended December 31, 2007 and 2006, respectively. The increase in consolidated cash provided by operating activities was due to an increase in cash provided by Zapata Corporate, attributable to increased interest income in 2007 as compared to 2006. This increase was partially offset by a decrease attributable to not consolidating Omega's cash provided by operating activities after completing the sale in December 2006.

### *Net cash provided by investing activities.*

Consolidated cash provided by investing activities was \$3.1 million and \$180,000 for the years ended December 31, 2008 and 2007, respectively. This increase resulted from additional purchases and sales of short-term investments during the year ended December 31, 2008 as compared to the prior year.

Consolidated cash provided by investing activities was \$180,000 and \$43.8 million for the years ended December 31, 2007 and 2006, respectively. This decrease was a result of receiving \$75.5 million of proceeds from the sale of Omega during 2006 as compared to no proceeds in 2007. This decrease was offset by the lack of consolidation of Omega Protein's cash used in investing activities of \$16.5 million and the change from cash used in

investing activities to cash provided by investing activities at Zapata Corporate, resulting from the timing of purchases of short-term investments versus cash equivalents.

Other than possible acquisitions of operating companies, funding of start-up proposals and possible stock repurchases, Zapata and Zap.Com do not expect any capital expenditures during 2009.

*Net cash (used in) provided by financing activities.*

There was no cash used in or provided by financing activities for the years ended December 31, 2008 or 2007. Consolidated cash used in financing activities was \$3.5 million for the year ended December 31, 2006 as a result of discontinued operations attributable to Omega \$14.0 million in proceeds from Title XI debt received during 2005, as compared to no proceeds during 2006.

**Recent Accounting Pronouncements**

In 2007, the Financial Accounting Standards Board (“FASB”) issued Statement of Financial Accounting Standard (“SFAS”) 141(R), “Business Combinations”. SFAS No. 141(R) requires the acquiring entity in a business combination to recognize the full fair value of assets acquired and liabilities assumed in the transaction (whether a full or partial acquisition); establishes the acquisition-date fair value as the measurement objective for all assets acquired and liabilities assumed; requires expensing of most transaction and restructuring costs; and requires the acquirer to disclose the information needed to evaluate and understand the nature and financial effect of the business combination. SFAS No. 141(R) applies prospectively to business combinations for which the acquisition date is on or after January 1, 2009. The impact of SFAS No. 141(R) on our consolidated financial statements will depend upon the nature, terms and size of the acquisitions we consummate after the effective date.

In 2007, the FASB issued SFAS No. 160, “Noncontrolling Interests in Consolidated Financial Statements — an amendment of Accounting Research Bulletin No. 51”. SFAS No. 160 requires reporting entities to present noncontrolling (minority) interests as equity (as opposed to as a liability) and provides guidance on the accounting for transactions between an entity and noncontrolling interests. SFAS No. 160 applies prospectively as of January 1, 2009, except for the presentation and disclosure requirements which will be applied retrospectively for all periods presented. The Company does not expect the adoption of SFAS No. 160 to have a material impact on its financial position, results of operations or cash flows.

In February 2008, the FASB issued FSP 157-2, “Effective Date of FASB Statement No. 157,” which delayed the effective date of SFAS 157, “Fair Value Measurements” for certain non-financial assets and non-financial liabilities to fiscal years beginning after November 15, 2008, and interim periods within those fiscal years. The Company does not expect the adoption of FSP No. 157-2 to have a material effect on its financial position, results of operations or cash flows.

**Critical Accounting Policies and Estimates**

The discussion and analysis of Zapata’s consolidated financial condition, liquidity and results of operations are based upon the consolidated financial statements, which have been prepared in accordance with accounting principles generally accepted in the United States of America. The preparation of these financial statements requires management to make estimates and assumptions that affect amounts reported therein. The following lists the Company’s current accounting policies involving significant management judgment and provides a brief description of these policies:

*Litigation and environmental reserves.* The establishment of litigation and environmental reserves requires judgments concerning the ultimate outcome of pending claims against the Company and its subsidiaries. In applying judgment, management utilizes opinions and estimates obtained from outside legal counsel to apply the standards of SFAS No. 5 “Accounting for Contingencies.” Accordingly, estimated amounts relating to certain claims have met the criteria for the recognition of a liability under SFAS No. 5. Other claims for which a liability has not been recognized are reviewed on an ongoing basis in conjunction with the standards of SFAS No. 5. A liability is recognized for all associated legal costs as incurred. Liabilities for litigation settlements, environmental

settlements, legal fees and changes in these estimated amounts may have a material impact on the Company's financial position, results of operations or cash flows.

For example, the Company has been notified by Weatherford International Inc. ("Weatherford") of a claim for reimbursement of approximately \$200,000 in connection with the investigation and cleanup of purported environmental contamination at two properties formerly owned by a non-operating Zapata subsidiary. The Company believes that it has meritorious defenses to the claim, including that the alleged contamination occurred after the sale of the property, and intends to vigorously defend against it. As it is probable that some costs could be incurred related to this site, the Company has accrued \$100,000 related to this claim. This reserve represents the lower end of a range of possible outcomes, in accordance with the standards of SFAS No. 5, as no other amount within the range is considered more likely than any other. There can be no assurance however that the Company will not incur material costs and expenses in excess of our reserve in connection with any further investigation and remediation at the site.

*Deferred income taxes.* Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which the temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in the tax rates is recognized in earnings in the period that includes the enactment date. Additionally, taxing jurisdictions could retroactively disagree with the Company's tax treatment of certain items, and some historical transactions have income tax effects going forward. Accounting rules require these future effects to be evaluated using current laws, rules and regulations, each of which can change at any time and in an unpredictable manner.

The Company reduces its deferred tax assets to an amount that it believes is more likely than not to be realized. In so doing, the Company estimates future taxable income in determining if any valuation allowance is necessary. While the Company believes it is more likely than not that it will be able to realize its net amount of estimated deferred tax assets, it is possible that the facts and circumstances on which the Company's estimates and judgments are based could change, which could result in additional income tax expense in the future to recognize or increase the associated valuation allowances.

The Company also applies the provisions of the FASB Interpretation No. 48 ("FIN 48"). FIN 48 establishes a single model to address accounting for uncertain tax positions and clarifies the accounting for income taxes by prescribing a minimum recognition threshold a tax position is required to meet before being recognized in the financial statements. FIN 48 also provides guidance on derecognition, measurement, classification, interest and penalties, accounting in interim periods, disclosure and transition. Accrued interest expense and penalties related to unrecognized tax benefits are recorded as a component of income tax expense.

*Benefit plan assumptions.* On a consolidated basis, the Company has two defined benefit plans, under which participants earn a retirement benefit based upon a formula set forth in each plan. The Company records income or expense related to these plans using actuarially determined amounts that are calculated under the provisions of SFAS No. 87, "Employers' Accounting for Pensions." Key assumptions used in the actuarial valuations include the discount rate and the anticipated rate of return on plan assets. These rates are based on market interest rates, and therefore fluctuations in market interest rates could impact the amount of pension income or expense recorded for these plans. Despite the Company's belief that its estimates are reasonable for these key actuarial assumptions, future actual results will likely differ from the Company's estimates, and these differences could materially affect the Company's future financial statements either unfavorably or favorably.

The discount rate enables a company to state expected future cash flows at a present value on the measurement date. The Company has little latitude in selecting this rate as it is based on a review of projected cash flows and on high-quality fixed income investments at the measurement date. A lower discount rate increases the present value of benefit obligations and increases pension expense. To determine the expected long-term rate of return on pension plan assets, the Company considers a variety of factors including historical returns and asset class return expectations based on each Company's plan's current asset allocation.

The Company continually updates and assesses the facts and circumstances regarding these critical accounting matters and other significant accounting matters affecting estimates in its financial statements.

**Item 7A. *Quantitative and Qualitative Disclosures about Market Risk***

*Interest Rate Risk.* Zapata Corporate and Zap.Com hold investment grade securities which may include a mix of U.S. Government Agency or Treasury securities, certificates of deposit and money market deposits. Although the majority of the Company's consolidated investment grade securities constitute U.S. Government Treasury securities classified as cash equivalents as of December 31, 2008, the Company may be exposed to interest rate risk related to its investments in such securities. Changes in interest rates affect the investment income the Company earns on its cash equivalents and marketable securities and, therefore, impacts its cash flows and results of operations. Specifically, there is inherent roll-over risk for the Company's investment grade securities as they mature and are renewed at current market rates. As of December 31, 2008 interest rates on the Company's cash and cash equivalents approximated 0%, and interest rates on the Company's \$12.0 million of short-term investments ranged between 1.70% and 2.05%.

**Item 8. Financial Statements and Supplementary Data**

**Report of Independent Registered Public Accounting Firm**

To the Board of  
Directors and Stockholders of  
Zapata Corporation  
Rochester, New York

We have audited the internal control over financial reporting of Zapata Corporation and subsidiaries (the “Company”) as of December 31, 2008, based on criteria established in *Internal Control — Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission. The Company’s management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management’s Report on Internal Control over Financial Reporting appearing under Item 9A. Our responsibility is to express an opinion on the Company’s internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

A company’s internal control over financial reporting is a process designed by, or under the supervision of, the company’s principal executive and principal financial officers, or persons performing similar functions, and effected by the company’s board of directors, management, and other personnel to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company’s internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company’s assets that could have a material effect on the financial statements.

Because of the inherent limitations of internal control over financial reporting, including the possibility of collusion or improper management override of controls, material misstatements due to error or fraud may not be prevented or detected on a timely basis. Also, projections of any evaluation of the effectiveness of the internal control over financial reporting to future periods are subject to the risk that the controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2008, based on the criteria established in *Internal Control — Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated financial statements as of and for the year ended December 31, 2008 of the Company and our report dated March 4, 2009 expressed an unqualified opinion on those financial statements.

Deloitte & Touche LLP

Rochester, New York  
March 4, 2009

## Report of Independent Registered Public Accounting Firm

To the Board of Directors and Stockholders of  
Zapata Corporation  
Rochester, NY

We have audited the accompanying consolidated balance sheets of Zapata Corporation and subsidiaries (the “Company”) as of December 31, 2008 and 2007, and the related consolidated statements of operations, stockholders’ equity, and cash flows 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. The consolidated financial statements of the Company for the year ended December 31, 2006 were audited by other auditors whose report, dated March 13, 2007, expressed an unqualified opinion on those statements.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). 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, such 2008 and 2007 consolidated financial statements present fairly, in all material respects, the financial position of Zapata Corporation and subsidiaries at December 31, 2008 and 2007, and the results of their operations and their cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the Company’s internal control over financial reporting as of December 31, 2008, based on the criteria established in *Internal Control — Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission and our report dated March 4, 2009 expressed an unqualified opinion on the Company’s internal control over financial reporting.

Deloitte & Touche LLP

Rochester, New York  
March 4, 2009



## **Report of Independent Registered Public Accounting Firm**

To the Board of Directors and Stockholders  
of Zapata Corporation:

In our opinion, the consolidated statements of operations, shareholders' equity and cash flows for the year ended December 31, 2006 present fairly, in all material respects, the results of operations and cash flows of Zapata Corporation and its subsidiaries for the year ended December 31, 2006 in conformity with accounting principles generally accepted in the United States of America. 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 of these statements in accordance with the standards of the Public Company Accounting Oversight Board (United States). 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 of financial statements includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

As described in *Note 12 Qualified Defined Benefit Plans* to the consolidated financial statements the Company modified the manner in which it accounts for share-based compensation effective January 1, 2006 and the manner in which it accounts for defined benefit pension and other postretirement plans effective December 31, 2006.

PricewaterhouseCoopers LLP

Rochester, New York  
March 13, 2007

**ZAPATA CORPORATION**  
**CONSOLIDATED BALANCE SHEETS**

	<u>December 31,</u> <u>2008</u>	<u>December 31,</u> <u>2007</u>
<small>(In thousands, except share and per share amounts)</small>		
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents . . . . .	\$142,694	\$139,251
Short-term investments . . . . .	11,965	15,019
Other receivables . . . . .	130	1,024
Prepaid expenses and other current assets . . . . .	<u>256</u>	<u>302</u>
Total current assets . . . . .	<u>155,045</u>	<u>155,596</u>
Other assets, net . . . . .	8,987	9,848
Total assets . . . . .	<u><u>\$164,032</u></u>	<u><u>\$165,444</u></u>
 <b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>		
Current liabilities:		
Accounts payable . . . . .	\$ 92	\$ 180
Accrued and other current liabilities . . . . .	<u>1,045</u>	<u>1,141</u>
Total current liabilities . . . . .	<u>1,137</u>	<u>1,321</u>
Pension liabilities . . . . .	2,904	660
Other liabilities . . . . .	<u>1,144</u>	<u>1,330</u>
Total liabilities . . . . .	<u>5,185</u>	<u>3,311</u>
Commitments and contingencies (Note 11) Minority interest . . . . .	33	34
Stockholders' equity:		
Preferred stock, \$.01 par; 1,600,000 shares authorized; none issued or outstanding . . . . .	—	—
Preference stock, \$.01 par; 14,400,000 shares authorized; none issued or outstanding . . . . .	—	—
Common stock, \$0.01 par, 132,000,000 shares authorized, 24,708,414 shares issued and 19,276,334 shares outstanding . . . . .	247	247
Capital in excess of par value . . . . .	164,250	164,250
Retained earnings . . . . .	37,192	37,204
Treasury stock, at cost, 5,432,080 shares . . . . .	(31,668)	(31,668)
Accumulated other comprehensive loss . . . . .	<u>(11,207)</u>	<u>(7,934)</u>
Total stockholders' equity . . . . .	<u>158,814</u>	<u>162,099</u>
Total liabilities and stockholders' equity . . . . .	<u><u>\$164,032</u></u>	<u><u>\$165,444</u></u>

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

**ZAPATA CORPORATION**  
**CONSOLIDATED STATEMENTS OF OPERATIONS**

	<u>For the Years Ended December 31,</u>		
	<u>2008</u>	<u>2007</u>	<u>2006</u>
	(In thousands, except per share amounts)		
Revenues . . . . .	\$ —	\$ —	\$ —
Cost of revenues . . . . .	<u>—</u>	<u>—</u>	<u>—</u>
Gross profit . . . . .	—	—	—
Operating expense:			
General and administrative . . . . .	3,237	3,388	4,730
Total operating expenses . . . . .	<u>3,237</u>	<u>3,388</u>	<u>4,730</u>
Operating loss . . . . .	(3,237)	(3,388)	(4,730)
Other income:			
Interest income . . . . .	3,013	7,681	4,059
Other, net . . . . .	<u>113</u>	<u>570</u>	<u>580</u>
	3,126	8,251	4,639
(Loss) income before income taxes and minority interest . . . . .	(111)	4,863	(91)
Benefit (provision) for income taxes . . . . .	98	(2,313)	(183)
Minority interest in net loss of consolidated subsidiaries . . . . .	<u>1</u>	<u>1</u>	<u>1</u>
(Loss) income from continuing operations . . . . .	<u>(12)</u>	<u>2,551</u>	<u>(273)</u>
Discontinued operations:			
Loss before taxes and minority interest (including loss on disposal) . . . . .	—	—	(3,912)
Benefit for income taxes . . . . .	—	—	1,574
Minority interest . . . . .	<u>—</u>	<u>—</u>	<u>(2,052)</u>
Loss from discontinued operations . . . . .	<u>—</u>	<u>—</u>	<u>(4,390)</u>
Net (loss) income . . . . .	<u>\$ (12)</u>	<u>\$ 2,551</u>	<u>\$ (4,663)</u>
Net (loss) income per common share — basic and diluted (Loss) income			
from continuing operations . . . . .	\$ (0.00)	\$ 0.13	\$ (0.01)
Loss from discontinued operations . . . . .	<u>—</u>	<u>—</u>	<u>(0.23)</u>
Net (loss) income per common share — basic and diluted . . . . .	<u>\$ (0.00)</u>	<u>\$ 0.13</u>	<u>\$ (0.24)</u>
Weighted average common shares outstanding			
Basic . . . . .	<u>19,276</u>	<u>19,237</u>	<u>19,179</u>
Diluted . . . . .	<u>19,276</u>	<u>19,422</u>	<u>19,179</u>

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

**ZAPATA CORPORATION**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**

	For the Years Ended December 31,		
	2008	2007	2006
	(In thousands)		
Cash flows from operating activities:			
Net (loss) income . . . . .	\$ (12)	\$ 2,551	\$ (4,663)
Adjustments to reconcile net (loss) income to net cash provided by operating activities:			
Loss on sale of Omega Protein Corporation . . . . .	—	—	7,216
Depreciation and amortization . . . . .	—	3	18
Stock based compensation . . . . .	—	17	140
Taxes paid in connection with stock based compensation . . . . .	—	(220)	—
Minority interest in net loss of consolidated subsidiaries . . . . .	(1)	(1)	(1)
Deferred income taxes . . . . .	(148)	1,617	10,459
Changes in assets and liabilities:			
Other receivables . . . . .	894	(745)	(50)
Prepaid expenses and other current assets . . . . .	8	23	37
Other assets . . . . .	58	38	381
Accounts payable . . . . .	(88)	(237)	172
Pension liabilities . . . . .	(41)	(40)	(143)
Accrued liabilities and other current liabilities . . . . .	(96)	(665)	(436)
Other liabilities . . . . .	(185)	(159)	11
Discontinued operations . . . . .	—	—	(11,438)
Net cash provided by operating activities . . . . .	389	2,182	1,703
Cash flows from investing activities:			
Proceeds from sale of Omega Protein Corporation . . . . .	—	—	75,541
Purchases of investments . . . . .	(302,064)	(288,564)	(15,199)
Maturities of investments . . . . .	305,118	288,744	—
Discontinued operations . . . . .	—	—	(16,534)
Net cash provided by investing activities . . . . .	3,054	180	43,808
Cash flows from financing activities:			
Proceeds from stock option exercises . . . . .	—	—	196
Discontinued operations . . . . .	—	—	(3,714)
Net cash used in financing activities . . . . .	—	—	(3,518)
Effect of exchange rate changes on cash and cash equivalents . . . . .	—	—	(5)
Net increase in cash and cash equivalents . . . . .	3,443	2,362	41,988
Increase in cash from discontinued operations . . . . .	—	—	17,890
Cash and cash equivalents at beginning of period . . . . .	139,251	136,889	77,011
Cash and cash equivalents at end of period . . . . .	\$ 142,694	\$ 139,251	\$136,889
Cash paid during the year for:			
Interest . . . . .	\$ —	\$ —	\$ 1,552
Income taxes . . . . .	\$ 97	\$ 1,244	\$ —

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

**ZAPATA CORPORATION**  
**CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY**

	Comprehensive (Loss) Income	Common Stock		Capital in Excess of Par Value	Retained Earnings	Treasury Stock	Accumulated Other Comprehensive (Loss) Income	Total Stockholders' Equity
		Shares	Amount					
				(In thousands)				
<b>Balance at January 1, 2006</b> . . . . .		24,582	\$246	\$162,730	\$45,127	\$(31,668)	\$ (4,751)	\$171,684
Net loss . . . . .	\$(4,663)	—	—	—	(4,663)	—	—	(4,663)
Actuarial adjustments to pension plans, net of tax effects . . . . .	11	—	—	—	—	—	11	11
Adoption of SFAS No. 158 . . . . .	—	—	—	—	—	—	(8,185)	(8,185)
Stock based compensation . . . . .	—	—	—	140	—	—	—	140
Stock option exercise, net of tax effects . . . . .	—	35	—	195	—	—	—	195
Effects of discontinued operations . . . .	—	—	—	1,389	(5,811)	—	4,508	86
Total comprehensive loss . . . . .	<u>\$(4,652)</u>							
<b>Balance at December 31, 2006</b> . . . . .		24,617	246	164,454	34,653	(31,668)	(8,417)	159,268
Net income . . . . .	\$ 2,551	—	—	—	2,551	—	—	2,551
Actuarial adjustments to pension plans, net of tax effects . . . . .	483	—	—	—	—	—	483	483
Stock based compensation . . . . .	—	—	—	17	—	—	—	17
Stock option net exercises . . . . .	—	92	1	(221)	—	—	—	(220)
Total comprehensive income . . . . .	<u>\$ 3,034</u>							
<b>Balance at December 31, 2007</b> . . . . .		24,709	247	164,250	37,204	(31,668)	(7,934)	162,099
Net loss . . . . .	\$ (12)	—	—	—	(12)	—	—	(12)
Actuarial adjustments to pension plans, net of tax effects . . . . .	<u>(3,273)</u>	—	—	—	—	—	(3,273)	(3,273)
Total comprehensive loss . . . . .	<u>\$(3,285)</u>							
<b>Balance at December 31, 2008</b> . . . . .		<u>24,709</u>	<u>\$247</u>	<u>\$164,250</u>	<u>\$37,192</u>	<u>\$(31,668)</u>	<u>\$(11,207)</u>	<u>\$158,814</u>

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

**ZAPATA CORPORATION**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**Note 1. Business and Organization**

Zapata Corporation (“Zapata” or “the Company”) is a holding company which has approximately \$154.7 million in consolidated cash and cash equivalents and short-term investments at December 31, 2008 and currently owns 98% of Zap.Com Corporation (“Zap.Com”). In December 2006, the Company completed the disposition of its 57% ownership interest in Omega Protein Corporation (“Omega Protein” or “Omega”) common stock.

Zap.com is a public shell company that does not have any existing business operations other than complying with its reporting requirements under the Exchange Act. Zap.Com is searching for assets or businesses that it can acquire so that it can become an operating company and may also consider developing a new business suitable for its situation. Zap.Com trades on the over-the-counter electronic bulletin board under the symbol “ZPCM.”

As used throughout this report, “Zapata Corporate” is defined as Zapata Corporation exclusive of its majority owned subsidiary Zap.Com, and its former majority owned subsidiary, Omega Protein.

**Note 2. Significant Accounting Policies**

*Consolidation*

The consolidated financial statements include Zapata and its wholly and majority-owned subsidiaries (collectively, “Zapata” or the “Company”). Consolidated financial statements are financial statements of a parent company and its subsidiaries presented as if the entities were a single economic unit. Although the assets, liabilities, revenues, and expenses of all entities are combined to provide a single set of financial statements, certain eliminations and adjustments are made. These eliminations are necessary to ensure that only arm’s-length transactions between independent parties are reflected in the consolidated statements. In addition, when the parent company consolidates non-wholly owned subsidiaries, minority interest on the consolidated balance sheets and statements of operations represents the minority stockholders’ (those other than the parent company) interest in the net assets and net income of such subsidiaries.

*Cash and Cash Equivalents*

The Company invests certain of its excess cash in government instruments. All highly liquid investments with original maturities of three months or less are considered to be cash equivalents. The recorded amounts for cash equivalents approximate fair market value due to the short-term nature of these financial instruments.

*Investments*

The Company may purchase investments in U.S. Government Agency or Treasury securities with maturities greater than three months. As the Company has both the intent and the ability to hold these securities to maturity, they are considered held-to-maturity investments. Investments are recorded at original cost plus accrued interest.

*Income Taxes*

Zapata’s consolidated U.S. federal income tax return includes subsidiaries in which Zapata owns in excess of 80% of the voting interests. Accordingly, Zap.Com is included in Zapata’s consolidated U.S. federal income tax return.

The Company utilizes the liability method to account for income taxes. This method 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 carry-forwards for tax purposes. Valuation allowances are recognized to reduce deferred tax assets to an amount that is more likely than not to be realized.

## ZAPATA CORPORATION

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

The Company also applies the provisions of the Financial Accounting Standards Board (“FASB”) Interpretation No. 48 (“FIN 48”) which establishes a single model to address accounting for uncertain tax positions and clarifies the accounting for income taxes by prescribing a minimum recognition threshold a tax position is required to meet before being recognized in the financial statements. FIN 48 also provides guidance on derecognition, measurement, classification, interest and penalties, accounting in interim periods, disclosure and transition. Accrued interest expense and penalties related to unrecognized tax benefits are recorded as a component of provision for income taxes.

#### *Use of Estimates*

The preparation of financial statements in conformity with accounting principals generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Due to the inherent uncertainty involved in making estimates, actual results in future periods could differ from these estimates.

#### *Concentrations of Credit Risk*

Financial instruments that potentially subject the Company to concentrations of credit risk include the Company’s cash, cash equivalents and short-term investments. These funds are currently concentrated among three financial institutions; however, the majority of the Company’s funds are invested in U.S. Government Treasuries which are fully insured by the U.S. Government against risk of loss.

### **Note 3. Discontinued Operations**

During the fourth quarter of fiscal 2006, Zapata sold all of its Omega Protein shares in two separate transactions. Zapata’s first sale of Omega shares closed on November 28, 2006, pursuant to a stock purchase agreement dated September 8, 2006 between Zapata, as seller, and Omega Protein, as purchaser, whereby Omega repurchased 9,268,292 Omega shares held by Zapata at a price of \$5.125 per share, or \$47.5 million in the aggregate. Zapata’s second sale of Omega shares occurred on December 4, 2006, pursuant to a stock purchase agreement dated December 1, 2006 among Zapata and a group of institutional investors whereby Zapata sold its remaining 5,232,708 Omega shares at a purchase price of \$5.55 per share (less commission), or \$28.3 million in the aggregate. For the year ended December 31, 2006, Zapata recorded total transaction related losses of \$10.3 million (\$7.2 million net of tax adjustments) related to these transactions. As used throughout this document, all amounts and disclosures related to Omega have been classified as “Discontinued Operations.”

In connection with the sale to a group of institutional investors of its remaining Omega shares, Zapata agreed, subject to certain conditions and obligations of Omega and generally for a period of two years from the December 2006 closing date, to reimburse Omega for liquidated damages that they may have been required to pay to the purchasers if Omega failed to continuously maintain a registration statement as effective as specified in the agreement. See Note 3 “Discontinued Operations — Omega Protein” in the Company’s Annual Report on Form 10-K for the year ended December 31, 2006 for further description of this agreement. As of December 31, 2008 and 2007, no liabilities have been recorded for these liquidated damages. Zapata believes that its obligation under this agreement has been completed.

#### **Operating results of discontinued operations are as follows:**

	<b>For the Years Ended December 31,</b>		
	<b>2008</b>	<b>2007</b>	<b>2006</b>
	<b>(In thousands)</b>		
Revenue from discontinued operations . . . . .	\$—	\$—	\$131,850
Loss before taxes and minority interest . . . . .	—	—	(3,912)

**ZAPATA CORPORATION**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)**

**Note 4. Short-Term Investments**

As of December 31, 2008, the Company had held-to-maturity investments with maturities up to approximately six months. Total amortized cost of short-term investments included approximately \$137,000 of interest receivable at December 31, 2008.

	<b>December 31, 2008</b>		
	<b>Amortized Cost</b>	<b>Fair Market Value</b>	<b>Unrealized (Loss) Gain</b>
	(In thousands)		
U.S. Treasury Notes . . . . .	\$ 8,071	\$ 7,976	\$(95)
U.S. Treasury Bills . . . . .	<u>4,031</u>	<u>4,032</u>	<u>1</u>
Total short-term investments . . . . .	<u>\$12,102</u>	<u>\$12,008</u>	<u>\$(94)</u>

Interest on the above investments ranged between 1.70% and 2.05% at December 31, 2008.

As of December 31, 2007, the Company had held-to-maturity investments with maturities up to approximately ten months. Total amortized cost of short-term investments included approximately \$310,000 of interest receivable at December 31, 2007.

	<b>December 31, 2007</b>		
	<b>Amortized Cost</b>	<b>Fair Market Value</b>	<b>Unrealized (Loss) Gain</b>
	(In thousands)		
Federal Home Loan Agency Note . . . . .	\$ 7,615	\$ 7,534	\$(81)
Federal Home Loan Mortgage Corporation Discount Note . . .	3,924	3,911	(13)
Federal Home Loan Mortgage Corporation Agency Note . . . .	<u>3,790</u>	<u>3,795</u>	<u>5</u>
Total short-term investments . . . . .	<u>\$15,329</u>	<u>\$15,240</u>	<u>\$(89)</u>

Interest on the above investments ranged between 5.16% and 5.24% at December 31, 2007.

**Note 5. Other Assets**

Other assets are summarized as follows:

	<b>December 31, 2008</b>	<b>December 31, 2007</b>
	(In thousands)	
Prepaid pension cost . . . . .	\$ —	\$2,832
Deferred tax assets . . . . .	<u>8,987</u>	<u>7,016</u>
	<u>\$8,987</u>	<u>\$9,848</u>



**ZAPATA CORPORATION**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)**

**Note 6. Accrued and Other Current Liabilities**

Accrued and other current liabilities are summarized as follows:

	December 31, 2008	December 31, 2007
(In thousands)		
Federal and state income taxes . . . . .	\$ 6	\$ 12
Insurance . . . . .	574	577
Environmental reserves . . . . .	100	100
Consulting agreement . . . . .	113	113
Pension liabilities . . . . .	104	103
Salary and benefits . . . . .	113	110
Other . . . . .	35	126
	<u>\$1,045</u>	<u>\$1,141</u>

**Note 7. Other Liabilities**

Other liabilities are summarized as follows:

	December 31, 2008	December 31, 2007
(In thousands)		
Uncertain tax positions . . . . .	\$ 732	\$ 732
Consulting agreement . . . . .	342	365
Other . . . . .	70	233
	<u>\$1,144</u>	<u>\$1,330</u>

The consultancy and retirement agreement was entered into in 1981 with a former executive officer of the Company.

**Note 8. Stockholders' Equity**

*Common Stock*

On December 6, 2002, the Board of Directors further authorized the Company to purchase up to 4.0 million shares of its outstanding common stock in the open market or privately negotiated transactions. The shares may be purchased from time to time as determined by the Company. Any purchased shares would be placed in treasury and may subsequently be reissued for general corporate purposes. The repurchases will be made only at such times as are permissible under the federal securities laws. No time limit has been placed on the duration of the program and no minimum number or value of shares to be repurchased has been fixed. Zapata reserves the right to discontinue the repurchase program at any time and there can be no assurance that any repurchases will be made. As of December 31, 2008, no shares had been repurchased under this program.

**ZAPATA CORPORATION**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)**

***Accumulated Other Comprehensive Loss***

Components of accumulated other comprehensive loss in stockholders' equity (in thousands):

	<u>Net Actuarial Adjustments to Pension Plans</u>	<u>Subsidiary Currency Translation Adjustment</u> (In thousands)	<u>Accumulated Other Comprehensive Loss</u>
January 1, 2006 . . . . .	\$ (4,732)	\$(19)	\$ (4,751)
Adoption of SFAS No. 158, net of tax effects of \$5,113 . . . . .	(8,185)	—	(8,185)
Actuarial adjustments to pension plans, net of tax effects of \$7 . . . .	11	—	11
Effects of discontinued operations . . .	<u>4,489</u>	<u>19</u>	<u>4,508</u>
December 31, 2006 . . . . .	(8,417)	—	(8,417)
Actuarial adjustments to pension plans, net of tax effects of \$303 . .	<u>483</u>	<u>—</u>	<u>483</u>
December 31, 2007 . . . . .	(7,934)	—	(7,934)
Actuarial adjustments to pension plans, net of tax effects of \$1,785 . . . . .	<u>(3,273)</u>	<u>—</u>	<u>(3,273)</u>
December 31, 2008 . . . . .	<u><u>\$(11,207)</u></u>	<u><u>\$ —</u></u>	<u><u>\$(11,207)</u></u>

**Note 9. Earnings Per Share Information**

The following table details the potential common shares excluded from the calculation of diluted (loss) earnings per share because the associated exercise prices were greater than the average market price of the Company's common stock, or because their impact would be antidilutive due to the Company's net loss for the period (in thousands, except per share amounts):

	<u>For the Years Ended December 31,</u>		
	<u>2008</u>	<u>2007</u>	<u>2006</u>
Potential common shares excluded from the calculation of diluted earnings per share:			
Stock options . . . . .	427	18	1,339
Weighted average exercise price per share . . . . .	\$5.12	\$9.79	\$ 5.56

**ZAPATA CORPORATION**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)**

**Note 10. Income Taxes**

The consolidated income tax benefit (provision) from continuing operations consisted of the following:

	<u>Years Ended December 31,</u>		
	<u>2008</u>	<u>2007</u>	<u>2006</u>
	(In thousands)		
Current:			
State .....	\$ (24)	\$ (34)	\$(154)
Federal .....	(26)	(662)	—
Deferred:			
State .....	(10)	(1)	(100)
Federal .....	<u>158</u>	<u>(1,616)</u>	<u>71</u>
Benefit (provision) for income taxes .....	<u>\$ 98</u>	<u>\$(2,313)</u>	<u>\$(183)</u>

The following table reconciles the benefit (provision) for income taxes for all periods computed using the U.S. statutory rate of 34% to the benefit (provision) for income taxes from continuing operations as reflected in the consolidated financial statements:

	<u>Years Ended December 31,</u>		
	<u>2008</u>	<u>2007</u>	<u>2006</u>
	(In thousands)		
Benefit (provision) at statutory rate .....	\$ 38	\$(1,653)	\$ 31
Federal PHC Tax .....	—	(575)	—
Valuation allowance for deferred tax assets .....	(1)	165	(92)
Change in estimated liabilities .....	123	—	—
State taxes, net of federal benefit .....	(25)	(188)	(99)
Effect of deferred rate change .....	(17)	—	—
Increase in tax reserve .....	(16)	—	(19)
Other .....	<u>(4)</u>	<u>(62)</u>	<u>(4)</u>
Benefit (provision) for income taxes .....	<u>\$ 98</u>	<u>\$(2,313)</u>	<u>\$(183)</u>

**ZAPATA CORPORATION**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)**

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

	<b>December 31, 2008</b>	<b>December 31, 2007</b>
	<b>(In thousands)</b>	
Deferred tax assets:		
Assets and accruals not yet deductible . . . . .	\$ 512	\$ 585
Pension . . . . .	1,212	—
Alternative minimum tax credit carryforwards . . . . .	7,082	7,085
Net operating loss carryforward . . . . .	257	71
	9,063	7,741
Less valuation allowance . . . . .	<u>(7)</u>	<u>(6)</u>
Total deferred tax assets . . . . .	9,056	7,735
Deferred tax liabilities:		
Pension . . . . .	—	(612)
Total deferred tax liabilities . . . . .	<u>—</u>	<u>(612)</u>
Net deferred tax assets . . . . .	<u><u>\$9,056</u></u>	<u><u>\$7,123</u></u>

The Company's net deferred tax assets are reflected in the Company's Consolidated Balance Sheets as follows:

	<b>December 31, 2008</b>	<b>December 31, 2007</b>
	<b>(In thousands)</b>	
Prepaid expenses and other current assets . . . . .	\$ 69	\$ 107
Other assets, net. . . . .	<u>8,987</u>	<u>7,016</u>
Net deferred tax assets . . . . .	<u><u>\$9,056</u></u>	<u><u>\$7,123</u></u>

The Company has \$1.6 million of net operating loss carryforwards. However, in accordance with Statement of Financial Accounting Standards ("SFAS") No. 123(R), "Accounting for Stock-Based Compensation," approximately \$865,000 of these carryforwards have not been recognized for financial statement purposes as they relate to benefits associated with stock option exercises that have not reduced current taxes payable. Equity will be increased by \$294,000 if and when such deferred tax assets are ultimately realized. The Company uses SFAS No. 109, "Accounting for Income Taxes" ordering for purposes of determining when excess tax benefits have been realized.

The Company's ability to utilize its net operating losses is dependent on future taxable income. Net operating loss carryforwards have a 20-year carry-forward period and will begin to expire in 2025. Additionally, Zapata has approximately \$7.0 million in federal alternative minimum tax credits, which can be used to offset future federal tax liabilities. Alternative minimum tax credits do not expire.

The Company's valuation allowance relates to state net operating loss carryforwards. With the exception of the state net operating loss carryforwards, the Company believes it is more likely than not that its remaining deferred tax assets as of December 31, 2008 and 2007 will be realized. The ultimate realization of deferred tax assets could be negatively impacted by market conditions and other variables not known or anticipated at this time.

On January 1, 2007 the Company adopted the provisions of FIN 48. There was no cumulative effect as a result of applying FIN 48 and no adjustment was made to our opening balance of retained earnings. Unrecognized tax benefits were approximately \$732,000 as of December 31, 2008 and December 31, 2007, respectively, the reversal of which will reduce the Company's effective tax rate when recognized. The Company does not expect that the

**ZAPATA CORPORATION**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)**

amount of unrecognized tax benefits will change significantly in the next 12 months. The following is a roll forward of our total gross unrecognized tax benefit for the year ended December 31, 2008 (in thousands):

Balance at December 31, 2006 . . . . .	\$732
Additions based on tax positions related to the current year . . . . .	—
Additions for tax positions of prior years . . . . .	—
Reductions for tax positions of prior years . . . . .	—
Settlements . . . . .	<u>—</u>
Balance at December 31, 2007 . . . . .	\$732
Additions based on tax positions related to the current year . . . . .	—
Additions for tax positions of prior years . . . . .	—
Reductions for tax positions of prior years . . . . .	—
Settlements . . . . .	<u>—</u>
Balance at December 31, 2008 . . . . .	<u><u>\$732</u></u>

Accrued interest expense and penalties, if any, related to the above unrecognized tax benefits are recorded as a component of income tax expense. As of December 31, 2008 and December 31, 2007, the amount of interest expense and penalties was \$16,000 and \$0, respectively. We file federal and state consolidated income tax returns and are subject to income tax examinations for years after 2004.

If Zapata has a change of ownership pursuant to Section 382 of the Internal Revenue Code, utilization of net operating losses or alternative minimum tax credits could be significantly limited or possibly eliminated. An ownership change for this purpose is generally a change in the majority ownership of a company over a three-year period.

Section 541 of the Internal Revenue Code of 1986, as amended (the “IRC”), subjects a corporation, which is a “personal holding company” as defined in the IRC, to a 15% tax on “undistributed personal holding company income” in addition to the corporation’s normal income tax. Generally, undistributed personal holding company income is based on taxable income, subject to certain adjustments, most notably a reduction for federal income taxes. Personal holding company income is comprised primarily of passive investment income plus, under certain circumstances, personal service income. A corporation is generally considered to be a personal holding company if (1) 60% or more of its adjusted ordinary gross income is personal holding company income and (2) 50% or more of its outstanding common stock is owned, directly or indirectly, by five or fewer individuals at any time during the last half of the taxable year.

The Company believes that five or fewer of Zapata’s stockholders hold 50% or more of its outstanding common stock for purposes of IRC Section 541. In addition, substantially all of the Company’s gross income qualifies as personal holding company income. As a result, as of December 31, 2008 and December 31, 2007, Zapata and its domestic subsidiaries were subject to personal holding company tax of \$0 and \$575,000, respectively, on its undistributed personal holding company income. Depending on the dates and sizes of future business combination transactions, it is possible that Zapata or its domestic subsidiaries could continue to have at least 60% of adjusted ordinary gross income consist of PHC income as discussed above. In addition, depending on the concentration of Company stock, it is possible that more than 50% of our stock will continue to be owned by five or fewer stockholders. Thus, there can be no assurance that Zapata will not be subject to this tax in the future that in turn may materially and adversely impact the Company’s financial position, results of operations and cash flows. In addition, if we continue to be subject to this tax, future statutory tax rate increases could significantly increase consolidated tax expense and adversely affect operating results and cash flows.

**ZAPATA CORPORATION**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)**

**Note 11. Commitments and Contingencies**

***Leases Payable***

Future annual minimum payments under non-cancelable operating lease obligations as of December 31, 2008 are as follows (in thousands):

2009 .....	\$ 76
2010 .....	45
2011 .....	—
2012 .....	—
2013 .....	—
Thereafter .....	<u>—</u>
Total minimum lease payments .....	<u><u>\$121</u></u>

Rental expenses for leases were \$76,000, \$69,000 and \$66,000 in 2008, 2007, and 2006, respectively.

***Litigation***

During the third quarter of 2004, Utica Mutual Insurance Company (“Utica Mutual”) commenced an action against Zapata in the Supreme Court for the County of Oneida, State of New York, seeking recovery of approximately \$760,000 on a general agreement of indemnity entered into by Zapata in the late 1970s. Subsequent to the Company’s filing of a formal answer and issuance of a deposition notice, the suit remained largely dormant until March 2007 when Utica Mutual brought a motion for partial summary judgment. This motion was denied during June 2007 and the Court ordered that a discovery schedule be entered into.

During the fourth quarter of 2007 the Court issued the formal discovery schedule. After written discovery in the second quarter of 2008, the exact nature of Utica Mutual’s claim is still not entirely clear. Based upon the allegations asserted in the complaint, Utica Mutual appears to be seeking reimbursement for monies it claims to have expended under a workmen’s compensation surety bond and certain reclamation bonds that were issued to a number of Zapata’s former subsidiaries and which are allegedly covered by the general agreement of indemnity. Based largely on the staleness of the claim, together with the fact that a number of the bonds appear to have been issued to these subsidiaries long after Zapata had sold them to third parties, Zapata intends to vigorously defend this action. Due to the lack of discovery and the uncertainties of litigation, the Company is unable to evaluate the likelihood of an unfavorable outcome or estimate the amount of range of a potential loss at this point. As such, as of December 31, 2008 and 2007, no liabilities have been recorded for this matter.

Zapata and its subsidiaries are subject to various claims and litigation relating to its past and current operations, which are being handled and vigorously defended in the ordinary course of business. While the results of any ultimate resolution cannot be predicted, in the opinion of management based upon discussions with counsel, any losses resulting from these matters will not have a material adverse effect on Zapata’s financial position, results of operations or cash flows.

***Environmental Matters***

During the third quarter of 2005, Zapata was notified by Weatherford International Inc. (“Weatherford”) of a claim for reimbursement of approximately \$200,000 in connection with the investigation and cleanup of purported environmental contamination at two properties formerly owned by a non-operating Zapata subsidiary. The claim was made under an indemnification provision given by Zapata to Weatherford in a 1995 asset purchase agreement and relates to alleged environmental contamination that purportedly existed on the properties prior to the date of the sale. Weatherford has also advised the Company that it anticipates that further remediation and cleanup may be required, although they have not provided any information regarding the cost of any such future clean up. Zapata has

## ZAPATA CORPORATION

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

challenged any responsibility to indemnify Weatherford. The Company believes that it has meritorious defenses to the claim, including that the alleged contamination occurred after the sale of the property, and intends to vigorously defend against it. As it is probable that some costs could be incurred related to this site, the Company has accrued \$100,000 related to this claim. This reserve represents the lower end of a range of possible outcomes as no other amount within the range is considered more likely than any other. There can be no assurance however that the Company will not incur material costs and expenses in excess of our reserve in connection with any further investigation and remediation at the site.

Zapata and its subsidiaries are subject to various claims and lawsuits regarding environmental matters in addition to those discussed above. Zapata's management believes that costs, if any, related to these matters will not have a material adverse effect on the Company's financial position, results of operations or cash flows.

#### *Guarantees*

The Company has applied the disclosure provisions of FASB Interpretation No. 45 ("FIN 45"), "Guarantor's Accounting and Disclosure Requirements for Guarantees, Including Indirect Guarantees of Indebtedness of Others," to its agreements containing guarantee or indemnification clauses. These disclosure provisions expand those required by SFAS No. 5, "Accounting for Contingencies," by requiring a guarantor to disclose certain types of guarantees, even if the likelihood of requiring the guarantor's performance is remote. Throughout its history, the Company has entered into numerous transactions relating to the sale, disposal or spin-off of past operations. Pursuant to certain of these transactions, the Company may be obligated to indemnify other parties to these agreements. These potential obligations include indemnifications for losses incurred by such parties arising out of the operations of such businesses prior to these transactions or the inaccuracy of representations of information supplied by the Company in connection with such transactions. These indemnification obligations existed prior to the Company's adoption of FIN 45 therefore, the recognition requirements of FIN 45 are not applicable to these indemnifications, and the Company has continued to account for the obligations in accordance with SFAS No. 5.

#### **Note 12. Qualified Defined Benefit Plans**

##### *General*

Zapata has a noncontributory defined benefit pension plan ("the Plan") covering certain U.S. employees. Benefits are generally based on employees' years of service and compensation level. The Plan has adopted an excess benefit formula integrated with covered compensation and its participants are 100% vested in the accrued benefit after five years of service. The funding policy is to make contributions as required by applicable regulations.

In 2005, Zapata Corporation's Board of Directors authorized a plan to freeze the Zapata pension plan in accordance with ERISA rules and regulations so that new employees, after January 15, 2006, will not be eligible to participate in the pension plan and further benefits will no longer accrue for existing participants. The freezing of the pension plan had the effect of vesting all existing participants in their pension benefits in the plan. During 2006, the Company recognized a curtailment loss of approximately \$147,000 which represented the balance of the unamortized prior service cost.

Additionally, Zapata has an unfunded supplemental pension plan effective April 1, 1992, that provides supplemental retirement payments to Thomas Bowersox and Ronald Lassiter who are former senior executives of Zapata. The amounts of such payments equal 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.

**ZAPATA CORPORATION**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)**

*Consolidated Obligations and Funded Status*

	<b>December 31, 2008</b>	<b>December 31, 2007</b>
	<b>(In thousands)</b>	
<b>Change in Benefit Obligation</b>		
Benefit obligation at beginning of year . . . . .	\$ 18,170	\$ 19,284
Interest cost . . . . .	1,091	1,065
Actuarial gain . . . . .	(588)	(580)
Benefits paid . . . . .	(1,639)	(1,599)
Benefit obligation at end of year . . . . .	<u>17,034</u>	<u>18,170</u>
<b>Change in Plan Assets</b>		
Plan assets at fair value at beginning of year . . . . .	20,239	20,564
Actual return on plan assets . . . . .	(4,678)	1,171
Contributions . . . . .	104	103
Benefits paid . . . . .	<u>(1,639)</u>	<u>(1,599)</u>
Plan assets at fair value at end of year . . . . .	<u>14,026</u>	<u>20,239</u>
<b>Funded Status of Plan</b> . . . . .	<u>(3,008)</u>	<u>2,069</u>
<b>Amounts Recognized in the Consolidated Balance Sheets</b>		
<b>Consist of:</b>		
Other assets . . . . .	—	2,832
Accrued and other current liabilities . . . . .	(104)	(103)
Pension liabilities . . . . .	<u>(2,904)</u>	<u>(660)</u>
Net amount recognized . . . . .	<u>\$ (3,008)</u>	<u>\$ 2,069</u>
Amounts recognized in accumulated other comprehensive loss		
consisted of:		
Net actuarial loss . . . . .	<u>\$(17,945)</u>	<u>\$(12,887)</u>
Net amount recognized . . . . .	<u>\$(17,945)</u>	<u>\$(12,887)</u>

	<b>Years Ended December 31,</b>		
	<b>2008</b>	<b>2007</b>	<b>2006</b>
	<b>(In thousands)</b>		
<b>Components of net periodic benefit cost</b>			
Service cost . . . . .	\$ —	\$ —	\$ 4
Interest cost . . . . .	1,091	1,065	1,077
Expected return on plan assets . . . . .	(1,517)	(1,539)	(1,485)
Amortization of transition assets and other deferrals . . . . .	548	575	702
Curtailement expense . . . . .	<u>—</u>	<u>—</u>	<u>147</u>
Net periodic pension cost . . . . .	<u>\$ 122</u>	<u>\$ 101</u>	<u>\$ 445</u>

The Company expects to recognize approximately \$1.0 million in pension expense during 2009. Included in this amount is approximately \$881,000 of net actuarial losses which will be amortized out of accumulated other comprehensive loss and included as a component of net periodic benefit cost.



**ZAPATA CORPORATION**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)**

**Zapata Corporate Pension Plan Information**

The accumulated benefit obligation for Zapata Corporate's pension plan was \$16.3 million and \$17.4 million at December 31, 2008 and 2007, respectively. The fair value of Zapata's plan assets was \$14.0 million and \$20.2 million at December 31, 2008 and 2007, respectively.

<u>Assumptions</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>
	(In thousands)		
<b>Weighted-average assumptions used to determine benefit obligations as of December 31</b>			
Discount rate . . . . .	6.75%	6.25%	5.75%
Expected long-term return on plan assets . . . . .	7.25%	7.75%	7.75%
Salary scale . . . . .	—	—	4.50%
<b>Weighted-average assumptions used to determine net periodic benefit cost for the years ended December 31</b>			
Discount rate . . . . .	6.25%	5.75%	5.50%
Expected long-term return on plan assets . . . . .	7.75%	7.75%	7.75%
Salary scale . . . . .	—	—	4.50%

Zapata's Board of Directors has established a Pension Committee to oversee plan assets. The Pension Committee is comprised of two members of management and is responsible for establishing objectives and policies for the investment of Plan assets with assistance from the Plan's investment consultant. As the obligations of the Plan are relatively long-term in nature, the Plan's investment strategy has been to maximize long-term capital appreciation. The Plan has historically invested within and among equity and fixed income asset classes in a manner that sought to achieve the highest rate of return consistent with a moderate amount of volatility. At the same time, the Plan maintained a sufficient amount invested in highly liquid investments to meet the Plan's immediate and projected cash flow needs. To achieve these objectives, the Committee developed guidelines for the composition of investments to be held by the Plan. Due to varying rates of return among asset classes, the actual asset mix may vary somewhat from these guidelines but are generally rebalanced as soon as practical.

*Plan Assets.* The Zapata Pension Plan asset allocations and target Plan asset allocations by asset category are as follows:

<u>Asset Category</u>	<u>Allocation as of December 31, 2008</u>	<u>Plan Investment Allocation Guidelines</u>		
		<u>Min</u>	<u>Target</u>	<u>Max</u>
Domestic Equity Securities . . . . .	42%	28%	45%	75%
International Equity Securities . . . . .	9%	0%	10%	15%
Fixed Income . . . . .	49%	10%	40%	60%
Other . . . . .	0%	0%	5%	15%
<u>Asset Category</u>	<u>Allocation as of December 31, 2007</u>	<u>Plan Investment Allocation Guidelines</u>		
		<u>Min</u>	<u>Target</u>	<u>Max</u>
Domestic Equity Securities . . . . .	49%	28%	45%	75%
International Equity Securities . . . . .	14%	0%	10%	15%
Fixed Income . . . . .	36%	10%	40%	60%
Other . . . . .	1%	0%	5%	15%

As of December 31, 2008 and 2007, no plan assets were invested in Zapata common stock.

**ZAPATA CORPORATION**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)**

For 2008, the Company assumed a long-term asset rate of return of 7.25%. In developing this rate of return assumption, the Company evaluated historical returns and asset class return expectations based on the Plan's current asset allocation. Despite the Company's belief that this assumption is reasonable, future actual results may differ from this estimate.

*Contributions.* Zapata plans to make no contributions to its pension plan in 2009. However, based on the currently enacted minimum pension plan funding requirements, the Company expects to make contributions during 2010 as a result of the substantial decline in market value of the plan assets in 2008.

*Estimated Future Benefit Payments.* The following benefit payments, which reflect expected future service, as appropriate, are expected to be paid:

	<b>Pension Benefits</b>
	<b>(In thousands)</b>
2009 . . . . .	\$1,361
2010 . . . . .	1,389
2011 . . . . .	1,362
2012 . . . . .	1,366
2013 . . . . .	1,371
Years 2014-2018 . . . . .	6,824

***Zapata Corporate Supplemental Pension Plan Information***

The accumulated benefit obligation for the pension plan was \$710,000 and \$763,000 December 31, 2008 and 2007, respectively. The fair value of Zapata's Supplemental Pension Plan assets were \$0 at December 31, 2008 and 2007, respectively.

	<b>Years Ended</b>		
<b>Assumptions</b>	<b>December 31,</b>		
	<b>2008</b>	<b>2007</b>	<b>2006</b>
	<b>(In thousands)</b>		
<b>Weighted-average assumptions used to determine benefit obligations as of December 31</b>			
Discount rate . . . . .	6.75%	6.25%	5.75%
Expected long-term return on plan assets . . . . .	N/A	N/A	N/A
Rate of compensation increase . . . . .	N/A	N/A	N/A
<b>Weighted-average assumptions used to determine net periodic benefit cost for the years ended December 31</b>			
Discount rate . . . . .	6.25%	5.75%	5.50%
Expected long-term return on plan assets . . . . .	N/A	N/A	N/A
Rate of compensation increase . . . . .	N/A	N/A	N/A

*Plan Assets.* As the plan is an unfunded plan, the Zapata Supplemental Pension Plan has no plan assets.

*Contributions.* Zapata plans to make no contributions to its supplemental pension plan in 2009. However, as the Zapata supplemental pension plan is an unfunded plan, estimated future benefit payments will be made in accordance with the schedule below.

**ZAPATA CORPORATION**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)**

*Estimated Future Benefit Payments.* The following benefit payments, which reflect expected future service, as appropriate, are expected to be paid:

	<u>Pension Benefits</u> (In thousands)
2009 .....	\$104
2010 .....	95
2011 .....	91
2012 .....	87
2013 .....	82
Years 2014-2018 .....	330

**Note 13. Qualified Defined Contribution Plans**

The Company has an established 401(k) Plan (the “Zapata Plan”) in which eligible participants may defer a fixed amount or a percentage of their eligible compensation, subject to limitations. The Company makes a discretionary matching contribution of up to 4% of eligible compensation. The Company recognized expenses for contributions to the Zapata Plan of approximately \$25,000, \$24,000 and \$21,000 in 2008, 2007 and 2006 respectively.

**Note 14. Stock-Based Compensation**

The consolidated statements of operations for the years ended December 31, 2008, 2007 and 2006 included \$0, \$17,000 and \$140,000, respectively, of share-based compensation costs, which are included in general and administrative expenses. The total income tax benefit recognized in the consolidated statements of operations for share-based compensation arrangements was \$0, \$1,000 and \$45,000 for the years ended December 31, 2008, 2007 and 2006, respectively. As of December 31, 2008 there was no unrecognized compensation cost related to nonvested share-based compensation.

*Zapata Corporate*

On December 5, 1996, the Company’s stockholders approved a long-term incentive plan (the “1996 Plan”). The 1996 Plan provides for the granting of restricted stock, stock appreciation rights, stock options and other types of awards to key employees of the Company. Under the 1996 Plan, options may be granted by the Committee at prices equivalent to the market value of the common stock on the date of grant. Options become exercisable in one or more installments on such dates as the Committee may determine. Unexercised options will expire on varying dates up to a maximum of ten years from the date of grant. All options granted vest ratably over three years beginning on the first anniversary of the date of grant and have an exercise price equal to the fair market value of the stock at grant date. The 1996 Plan provides for the issuance of options to purchase up to 4,000,000 shares of common stock. During 1999, the stockholders approved an amendment to the 1996 Plan which increased the number of shares available for options granted under the plan to 8,000,000 shares. At December 31, 2008, stock options covering a total of 1,645,152 shares had been exercised and a total of 5,975,808 shares of common stock are available for future stock options or other awards under the Plan. As of December 31, 2008 there were options for the purchase of up to 379,040 shares outstanding under the 1996 plan. No restricted stock, stock appreciation rights or other types of awards have been granted under the 1996 Plan.

In May 2002, the Stockholders approved specific stock option grants of 8,000 options to each of the six non-employee directors of the Company. These grants had been approved by the Board of Directors and awarded by the Company in March of 2002. These grants are non-qualified options with a ten year life and are exercisable in cumulative one-third installments vesting annually beginning on the first anniversary of the date of grant. As of December 31, 2008, there were options for the purchase of up to 48,000 shares outstanding under these grants.

**ZAPATA CORPORATION**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)**

The fair value of each stock option granted has been determined using the Black-Sholes option-pricing model. No options were granted in 2008, 2007 or 2006.

A summary of option activity under the Zapata Corporate Plans as of December 31, 2008, and changes during the year then ended is presented below:

	<u>Shares</u>	<u>Weighted Average Exercise Price</u>	<u>Weighted Average Remaining Contractual Term</u>	<u>Aggregate Intrinsic Value</u> (In thousands)
Outstanding at January 1, 2008 . . . . .	427,040	\$5.12		
Granted . . . . .	—	—		
Exercised . . . . .	—	—		
Forfeited or expired . . . . .	—	—		
Outstanding at December 31, 2008 . . . . .	<u>427,040</u>	\$5.12	3.9 years	<u>\$622</u>
Exercisable at December 31, 2008 . . . . .	<u>427,040</u>	\$5.12	3.9 years	<u>\$622</u>

No stock options were exercised during the year ended December 31, 2008. The total intrinsic value of stock options exercised during the years ended December 31, 2007 and 2006 was \$846,000 and \$19,000, respectively. In connection with these exercises, the Company remitted \$220,000 and \$0 for the payment of withholding taxes during the years ended December 31, 2007 and 2006, respectively. The stock options exercised during 2007 were “net exercises,” whereby the optionee received the in the money amount less amounts withheld to pay both the exercise price and any applicable minimum statutory withholding taxes. After withholdings, the Company issued 91,000 shares of common stock during 2007 related to these exercises.

As of December 31, 2008, there were no nonvested shares or associated unrecognized compensation cost under the Zapata Corporate Plans.

***Zap.Com***

The Zap.Com 1999 Long-Term Incentive Plan (the “1999 Plan”), which was approved by stockholders, allows Zap.Com to provide awards to existing and future officers, employees, consultants and directors from time to time. The 1999 Plan is intended to promote the long-term financial interests and growth of Zap.Com by providing employees, officers, directors, and consultants of Zap.Com with appropriate incentives and rewards to enter into and continue in the employment of, or relationship with, Zap.Com and to acquire a proprietary interest in the long-term success of Zap.Com. Under the 1999 Plan, 2,488,700 shares are available for awards and 511,300 stock options are outstanding. The 1999 Plan provides for the grant of any or all of the following types of awards: stock options, stock appreciation rights, stock awards, cash awards, or other rights or interests. Allocations of awards are made by the Zap.Com Board of Directors at its sole discretion within the provisions of the 1999 Plan. Stock options granted under the 1999 Plan are non-qualified options with a five year life and are exercisable in cumulative one-third installments vesting annually beginning on the first anniversary of the date of grant. Zap.Com had no share-based grants in the years ended December 31, 2008, 2007, and 2006.

**ZAPATA CORPORATION**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)**

A summary of option activity as of December 31, 2008, and changes during the year then ended is presented below:

	<u>Shares</u>	<u>Weighted Average Exercise Price</u>	<u>Weighted Average Remaining Contractual Term</u>	<u>Aggregate Intrinsic Value</u> (In thousands)
Outstanding at January 1, 2008 . . . . .	511,300	\$0.08		
Granted . . . . .	—	—		
Exercised . . . . .	—	—		
Forfeited or expired . . . . .	—	—		
Outstanding at December 31, 2008 . . . . .	<u>511,300</u>	\$0.08	0.8	<u>\$—</u>
Exercisable at December 31, 2008 . . . . .	<u>511,300</u>	\$0.08	0.8	<u>\$—</u>

No options were exercised during the years ended December 31, 2008, 2007 or 2006.

As of December 31, 2008, there were no nonvested shares or associated unrecognized compensation cost under the Zap.Com Plan.

**Note 15. Related Party Transactions**

***Zap.Com***

Since its inception, Zap.Com has utilized the services of Zapata’s management and staff under a shared services agreement that allocated these costs on a percentage of time basis. Zap.Com also subleases its office space in Rochester, New York from Zapata. Under the sublease agreement, annual rental payments are allocated on a cost basis. Zapata has waived its rights under the shared services agreement to be reimbursed for these expenses since May 1, 2000. For the years ended December 31, 2008, 2007 and 2006, approximately \$14,000, \$13,000 and \$13,000 was recorded as contributed capital for these services.

**Note 16. Recently Issued Accounting Pronouncements**

In 2007, the FASB issued SFAS 141(R), “Business Combinations.” SFAS No. 141(R) requires the acquiring entity in a business combination to recognize the full fair value of assets acquired and liabilities assumed in the transaction (whether a full or partial acquisition); establishes the acquisition-date fair value as the measurement objective for all assets acquired and liabilities assumed; requires expensing of most transaction and restructuring costs; and requires the acquirer to disclose the information needed to evaluate and understand the nature and financial effect of the business combination. SFAS No. 141(R) applies prospectively to business combinations for which the acquisition date is on or after January 1, 2009. The impact of SFAS No. 141(R) on our consolidated financial statements will depend upon the nature, terms and size of the acquisitions we consummate after the effective date.

In 2007, the FASB issued SFAS No. 160, “Noncontrolling Interests in Consolidated Financial Statements — an amendment of Accounting Research Bulletin No. 51”. SFAS No. 160 requires reporting entities to present noncontrolling (minority) interests as equity (as opposed to as a liability) and provides guidance on the accounting for transactions between an entity and noncontrolling interests. SFAS No. 160 applies prospectively as of January 1, 2009, except for the presentation and disclosure requirements which will be applied retrospectively for all periods presented. The Company does not expect the adoption of SFAS No. 160 to have a material impact on its financial position, results of operations or cash flows.

**ZAPATA CORPORATION**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)**

In February 2008, the FASB issued FSP 157-2, "Effective Date of FASB Statement No. 157," which delayed the effective date of SFAS 157, "Fair Value Measurements" for certain non-financial assets and non-financial liabilities to fiscal years beginning after November 15, 2008, and interim periods within those fiscal years. The Company does not expect the adoption of FSP No. 157-2 to have a material effect on its financial position, results of operations or cash flows.

**Note 17. Industry Segment and Geographic Information**

The following summarizes certain financial information of each segment for continuing operations for the years ended December 31, 2008, 2007 and 2006 (in thousands):

	<u>Revenues</u>	<u>Operating Loss</u>	<u>Total Assets</u>	<u>Depreciation and Amortization</u>	<u>Interest Income</u>	<u>Income Tax Benefit (Provision)</u>
	(In thousands)					
<b>Year ended December 31, 2008</b>						
Zapata Corporate . . . . .	\$—	\$(3,153)	\$162,435	\$—	\$2,983	\$ 98
Zap.Com . . . . .	—	(84)	1,597	—	30	—
	<u>\$—</u>	<u>\$(3,237)</u>	<u>\$164,032</u>	<u>\$—</u>	<u>\$3,013</u>	<u>\$ 98</u>
<b>Year ended December 31, 2007</b>						
Zapata Corporate . . . . .	\$—	\$(3,228)	\$163,755	\$ 3	\$7,596	\$(2,313)
Zap.Com . . . . .	—	(160)	1,689	—	85	—
	<u>\$—</u>	<u>\$(3,388)</u>	<u>\$165,444</u>	<u>\$ 3</u>	<u>\$7,681</u>	<u>\$(2,313)</u>
<b>Year ended December 31, 2006</b>						
Zapata Corporate . . . . .	\$—	\$(4,597)	\$162,003	\$18	\$3,975	\$ (183)
Zap.Com . . . . .	—	(133)	1,728	—	84	—
	<u>\$—</u>	<u>\$(4,730)</u>	<u>\$163,731</u>	<u>\$18</u>	<u>\$4,059</u>	<u>\$ (183)</u>

**Note 18. Quarterly Financial Data (unaudited)**

The following table presents certain unaudited consolidated operating results for each of the Company's preceding eight quarters. The Company believes that the following information includes all adjustments (consisting only of normal recurring adjustments) necessary for a fair presentation in accordance with accounting principles generally accepted in the United States of America. The operating results for any interim period are not necessarily indicative of results for any other period.

	<u>Quarter Ended</u>			
	<u>March 31, 2008</u>	<u>June 30, 2008</u>	<u>September 30, 2008</u>	<u>December 31, 2008</u>
	(In thousands, except per share amounts)			
Revenues . . . . .	\$ —	\$ —	\$ —	\$ —
Gross profit . . . . .	—	—	—	—
Operating loss . . . . .	(865)	(688)	(856)	(828)
Net income (loss) available to common stockholders . . . . .	320	312	(188)	(456)
Income (loss) per common share — basic and diluted(1) . . . . .	0.02	0.02	(0.01)	(0.02)

**ZAPATA CORPORATION**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)**

	Quarter Ended			
	March 31, 2007	June 30, 2007	September 30, 2007	December 31, 2007
	(In thousands, except per share amounts)			
Revenues .....	\$ —	\$ —	\$ —	\$ —
Gross profit .....	—	—	—	—
Operating loss .....	(959)	(711)	(866)	(852)
Net income available to common stockholders . .	466	686	490	909
Income per common share — basic and diluted(1) .....	0.02	0.04	0.03	0.05

(1) Net income (loss) per share has been computed independently for each quarter based upon the weighted average shares outstanding for that quarter. Therefore, the sum of the quarterly earnings per share amounts may not equal the reported annual amounts.

**Item 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure**

None.

**Item 9A. Controls and Procedures**

**Evaluation of Disclosure Controls and Procedures**

The Company's management has established disclosure controls and procedures designed to ensure that information required to be disclosed by the Company in the reports that it files or submits under the Securities Exchange Act of 1934, as amended (the "Exchange Act") is recorded, processed, summarized and reported within time periods specified in the SEC rules and forms. Such disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed by the Company in the reports that it files or submits under the Exchange Act is accumulated and communicated to the Company's management to allow timely decisions regarding required disclosure.

Based on management's evaluation as of the end of the period covered by this Annual Report on Form 10-K, the Company's Chief Executive Officer and Chief Financial Officer have concluded that the Company's disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) promulgated under the Exchange Act) were effective as of the end of the period covered by this Annual Report on Form 10-K.

**Management's Report on Internal Control Over Financial Reporting**

The Company's management is responsible for establishing and maintaining adequate internal control over financial reporting for the Company, as such term is defined in Exchange Act Rule 13a-15(f). Internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. Internal control over financial reporting includes those policies and procedures that (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the Company's assets; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of the financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures are being made only with proper authorizations; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of the Company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

The Company's management, under the supervision of and with the participation of the Chief Executive Officer and the Chief Financial Officer, assessed the effectiveness of the Company's internal control over financial reporting as of December 31, 2008 based on criteria for effective control over financial reporting described in *Internal Control — Integrated Framework* issued by the COSO. Based on this assessment, the Company's management concluded that its internal control over financial reporting was effective as of December 31, 2008.

The independent registered public accounting firm that audited the financial statements included in the annual report containing the disclosure required by this Item 9A Controls and Procedures has issued an attestation report on the Company's internal control over financial reporting.

**Changes in Internal Control Over Financial Reporting**

There was no change in the Company's internal control over financial reporting that occurred during the quarter ended December 31, 2008 that has materially affected, or is likely to materially affect, the Company's internal control over financial reporting.

**Item 9B. Other Information.**

In July 2008, the Company submitted to the NYSE its Annual CEO Certification with respect to its compliance with the NYSE corporate governance listing standards. Additionally, the certifications pursuant to Sarbanes-Oxley Act Section 302 are filed as exhibits to this Report.



### PART III

**Item 10. *Directors, Executive Officers and Corporate Governance.***

Pursuant to General Instruction G on 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 its 2009 Annual Meeting of Stockholders (the "2009 Proxy Statement") to be filed pursuant to Regulation 14A under the Exchange Act in response to Items 401, 405, 406, 407(c)(3), 407(d)(4) and 407(d)(5) of Regulation S-K under the Securities Act of 1933, as amended, and the Exchange Act ("Regulation S-K").

**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 2009 Proxy Statement in response to Items 402 and 407 of Regulation S-K, excluding the material concerning the report on executive compensation and the performance graph specified by paragraphs (k) and (l) of such Item.

**Item 12. *Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters.***

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 2009 Proxy Statement in response to Item 403 of Regulation S-K, and to Part II, Item 5 of this Report in response to Item 201(d) of Regulation S-K.

**Item 13. *Certain Relationships and Related Transactions, and Director Independence.***

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 2009 Proxy Statement in response to Items 404 and 407(a) of Regulation S-K.

**Item 14. *Principal Accounting Fees and Services.***

Pursuant to General Instruction G of Form 10-K, the information called for by Item 14 of Part III of Form 10-K is incorporated by reference to the information set forth in the 2009 Proxy Statement in response to Item 9(e) of Schedule 14A.

### PART IV

**Item 15. *Exhibits, Financial Statement Schedules.***

**(a) List of Documents Filed.**

*(1) Financial Statements*

Financial Statements, Zapata Corporation.

Reports of Independent Registered Public Accounting Firms.

Consolidated Balance Sheets as of December 31, 2008 and 2007.

Consolidated Statements of Operations for the years ended December 31, 2008, 2007, and 2006.

Consolidated Statements of Cash Flows for the years ended December 31, 2008, 2007, and 2006.

Consolidated Statements of Stockholders' Equity for the years ended December 31, 2008, 2007, and 2006.

Notes to Consolidated Financial Statements.

*(2) Financial Statement Schedules*

None.

**(b) Exhibits.**

The exhibit list attached to this report is incorporated herein in its entirety by reference as if fully set forth herein. The exhibits indicated by an asterisk (\*) are incorporated by reference.

<u>Exhibit No.</u>	<u>Description of Exhibits</u>
3(a)*	Articles of Incorporation of Zapata filed with Secretary of State of Nevada May 4, 1999 (Exhibit 3.1 to Zapata's Current Report on Form 8-K filed May 4, 1999 (File No. 1-4219)).
3(b)*	Certificate of Decrease in Authorized and Outstanding shares dated January 23, 2001 filed with Secretary of State of Nevada January 26, 2001 (Exhibit 3(c) to Zapata's Annual Report on Form 10-K for the year ended December 31, 2002 filed April 2, 2001 (File No. 1-4219)).
3(c)*	Amended and Restated By-Laws of Zapata Corporation as amended May 30, 2007 (Exhibit 3.1 to Zapata's Quarterly Report on Form 10-Q for the quarter ended June 30, 2007 filed August 8, 2007 (File No. 1-4219)).
10(a)*†	Consultancy and Retirement Agreement, dated August 27, 1981, by and between Zapata and B. John Mackin (Exhibit 10(o) to Zapata's Annual Report on Form 10-K for the fiscal year ended September 30, 1981 (File No. 1-4219)).
10(b)*†	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(c)*†	Zapata Amended and Restated 1996 Long-Term Incentive Plan (Exhibit 10.1 to Zapata's Current Report on Form 8-K filed January 3, 2007 (File No. 1-4219)).
10(d)*	Stockholders' Agreement dated May 30, 1997 by Malcolm I. Glazer and the Malcolm I. Glazer Family Limited Partnership in favor of Zapata (Exhibit 10(z) to Zapata's Quarterly Report on Form 10-Q for the fiscal quarter ended June 30, 1997 filed August 14, 1997 (File No. 1-4219)).
10(e)*	Investment and Distribution Agreement between Zap.Com and Zapata (Exhibit No. 10.1 to Zap.Com's Registration Statement on Form S-1 filed April 13, 1999, as amended (File No. 333-76135)).
10(f)*	Services Agreement between Zap.Com and Zapata (Exhibit No. 10.2 to Zap.Com's Registration Statement on Form S-1 filed April 13, 1999, as amended (File No. 333-76135)).
10(g)*	Tax Sharing and Indemnity Agreement between Zap.Com and Zapata (Exhibit No. 10.3 to Zap.Com's Annual Report on Form 10-K for the year ended December 31, 2007 filed March 7, 2008 (File No. 333-76135)).
10(h)*	Registration Rights Agreement between Zap.Com and Zapata (Exhibit No. 10.4 to Zap.Com's Registration Statement on Form S-1 filed April 13, 1999, as amended (File No. 333-76135)).
10(i)*	Letter dated November 11, 2002 from the Malcolm I. Glazer Family Limited Partnership and Malcolm I. Glazer with respect to the Shareholders' Agreement dated May 30, 1997 (Exhibit 10(q) to Zapata's Quarterly Report on Form 10-Q for the quarter ended September 30, 2002 filed November 13, 2002 (File No. 1-4219)).
10(j)†*	Form of February 28, 2003 Indemnification Agreement by and among Zapata and the directors and officers of the Company (Exhibit 10(q) to Zapata's Annual Report on Form 10-K for the year ended December 31, 2002 filed March 26, 2003 (File No. 1-4219)).
10(k)†*	Form of March 1, 2002 Director Stock Option Agreement by and among Zapata and the non-employee directors of the Company (Exhibit 10(r) to Zapata's Annual Report on Form 10-K for the year ended December 31, 2002 filed March 26, 2003 (File No. 1-4219)).
10(l)†*	Summary of Zapata Corporation Senior Executive Retiree Health Care Benefit Plan (Exhibit 10(u) to Zapata's Annual Report on Form 10-K for the year ended December 31, 2006 filed March 13, 2007 (File No. 1-4219)).
21	Subsidiaries of the Registrant.
23.1	Consent of Deloitte & Touche LLP.
23.2	Consent of Pricewaterhouse Coopers LLP.

**Exhibit  
No.**

**Description of Exhibits**

24	Powers of attorney.
31.1	Certification of CEO Pursuant to Rule 13a-14 or 15d-14 of the Securities Exchange Act of 1934, as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2	Certification of CFO Pursuant to Rule 13a-14 or 15d-14 of the Securities Exchange Act of 1934, as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32.1	Certification of CEO Pursuant to 18 U.S.C Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
32.2	Certification of CFO Pursuant to 18 U.S.C Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

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† Management contract or compensatory plan or arrangement required to be filed as an exhibit pursuant to the requirements of Item 15(a)(3) of Form 10-K.

## 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:           /s/ LEONARD DiSALVO            
(Leonard DiSalvo Vice President)

March 4, 2009

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.

<u>Signature</u>	<u>Title</u>	<u>Date</u>
<u>          /s/ AVRAM A. GLAZER          </u> (Avram A. Glazer)	President and Chief Executive Officer (Principal Executive Officer) and Director	March 4, 2009
<u>          /s/ LEONARD DiSALVO          </u> (Leonard DiSalvo)	Vice President and Chief Financial Officer (Principal Financial and Accounting Officer)	March 4, 2009
<u>          /s/ WARREN H. GFELLER*          </u> (Warren H. Gfeller)		
<u>          /s/ BRYAN G. GLAZER*          </u> (Bryan G. Glazer)		
<u>          /s/ EDWARD S. GLAZER*          </u> (Edward S. Glazer)		
<u>          /s/ DARCIE S. GLAZER*          </u> (Darcie S. Glazer)		
<u>          /s/ ROBERT V. LEFFLER, JR.*          </u> (Robert V. Leffler, Jr.)		
<u>          /s/ JOHN R. HALLDOW*          </u> (John R. Halldow)		

\*By:           /s/ LEONARD DiSALVO            
(Leonard DiSalvo Attorney-in-Fact)

## **Directors**

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Avram A. Glazer  
Chairman, President and CEO  
Zapata Corporation

Bryan G. Glazer  
Executive Vice President  
Tampa Bay Buccaneers

Darcie S. Glazer  
Executive Vice President  
First Allied Corporation

Edward S. Glazer  
Executive Vice President  
Tampa Bay Buccaneers

Warren H. Gfeller <sup>(1)(2)</sup>  
Owner  
Clayton-Hamilton Equities

John R. Halldow <sup>(1)</sup>  
Founder and President  
The Rockland Group

Robert V. Leffler, Jr. <sup>(1)(2)</sup>  
Owner  
The Leffler Agency

## **Corporate Information**

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### **Stock Exchange Listing**

Common Stock  
New York Stock Exchange  
Ticker Symbol ZAP

### **Transfer Agent & Registrar**

Common Stock  
American Stock Transfer & Trust Company  
New York, New York  
(800) 937-5449

### **Auditors**

Deloitte & Touche LLP  
Rochester, New York

### **Investor Relations**

Zapata Corporation Investor Relations  
100 Meridian Centre, Suite 350  
Rochester, New York 14615  
(585) 242-8703  
[www.zapatacorp.com](http://www.zapatacorp.com)

### **Executive Officer**

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Leonard DiSalvo  
Vice President – Finance and CFO  
Zapata Corporation

### **Corporate Secretary**

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Gordon E. Forth, Secretary  
Woods Oviatt Gilman LLP

- 
- <sup>(1)</sup> Audit Committee Member  
<sup>(2)</sup> Compensation Committee Member

The certifications pursuant to Sarbanes-Oxley Act Section 302 have been filed as exhibits to Zapata's Annual Report on Form 10-K filed with Securities and Exchange Commission ("SEC") on March 4, 2009. In addition, in June 2008 Zapata submitted to the New York Stock Exchange ("NYSE") its Annual CEO Certification with respect to its compliance with the NYSE.