

ZAPATA CORP
Form 10-Q/A
December 22, 2009

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

**FORM 10-Q/A
(Amendment No. 1)**

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

For the quarterly period ended September 30, 2009

OR

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

Commission file number: 1-4219

ZAPATA CORPORATION

(Exact name of Registrant as specified in its charter)

State of Nevada
(State or other jurisdiction of
incorporation or organization)

74-1339132
(I.R.S. Employer
Identification No.)

100 Meridian Centre, Suite 350
Rochester, NY
(Address of principal executive offices)

14618
(Zip Code)

(585) 242-2000

(Registrant's telephone number, including area code)

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 whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes No

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 Exchange Act). Yes or No

As of October 29, 2009, the Registrant had outstanding 19,284,850 shares of common stock, \$0.01 par value.

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Explanatory Note

This Quarterly report on Form 10-Q/A (Form 10-Q/A) is being filed in order to correct the previously issued condensed consolidated financial statements of Zapata Corporation (the Company) for the three and nine month periods ended September 30, 2009 and 2008 initially filed with the Securities and Exchange Commission (the Commission) on November 4, 2009 (the Original Filing). Subsequent to the issuance of the Company s Original Filing, the Company identified an error in its accounting for certain deferred tax assets associated with the change of ownership that occurred during the quarter ended September 30, 2009. Although the Company reported that this change constituted a change of ownership pursuant to Section 382 and 383 of the Internal Revenue Code, the Company incorrectly concluded that such ownership change would not limit its ability to utilize net operating loss carryforwards and alternative minimum tax credits. However, the Company has subsequently determined that this conclusion was not consistent with the prescribed method for calculating such limits in accordance with Section 382 and Section 383. Accordingly, this Form 10- Q/A reflects the write-off of \$8.2 million of deferred tax assets in the third quarter of 2009. See Note 15 Restatement under Notes to Unaudited Condensed Consolidated Financial Statements included in Part1, Item 1 of this Form 10-Q/A for additional discussion.

This Form 10-Q/A amends Items 1, 2 and 4 of Part I and Exhibits 31.1, 31.2, 32.1 and 32.2 included in Item 6 of Part II of the Original Filing to reflect this correction. The remaining Items contained within this Form 10-Q/A consists of all other Items contained in the Original Filing. These remaining Items are not amended hereby, but are included for the convenience of the reader. Except for the foregoing amended information, this Form 10-Q/A continues to describe conditions as of the date of the Original Filing, and we have not updated the disclosures contained herein to reflect events that occurred at a later date.

Table of Contents**PART I FINANCIAL INFORMATION****Item 1. Financial Statements and Notes**

ZAPATA CORPORATION
UNAUDITED CONDENSED CONSOLIDATED BALANCE SHEETS
(In Thousands, Except Share and Per Share Amounts)

	September 30, 2009 (as restated)	December 31, 2008
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 129,184	\$ 142,694
Short-term investments	15,990	11,965
Other receivables	67	130
Prepaid expenses and other current assets	442	256
Total current assets	145,683	155,045
Long-term investments	8,027	
Property and equipment, net	38	
Other assets, net	1,418	8,987
Total assets	\$ 155,166	\$ 164,032
LIABILITIES AND EQUITY		
Current liabilities:		
Accounts payable	\$ 63	\$ 92
Accrued and other current liabilities	1,503	1,045
Total current liabilities	1,566	1,137
Pension liabilities	2,926	2,904
Other liabilities	1,087	1,144
Total liabilities	5,579	5,185
Commitments and contingencies (Note 8)		
Zapata Corporation 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, \$.01 par, 132,000,000 shares authorized; 24,716,930 and 24,708,414 shares issued; and 19,284,850 and 19,276,334 shares outstanding, respectively	247	247
Capital in excess of par value	164,250	164,250

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Retained earnings	27,506	37,192
Treasury stock, at cost, 5,432,080 shares	(31,668)	(31,668)
Accumulated other comprehensive loss	(10,778)	(11,207)
Total Zapata Corporation stockholders' equity	149,557	158,814
Noncontrolling interest	30	33
Total equity	149,587	158,847
Total liabilities and equity	\$ 155,166	\$ 164,032

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

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Table of Contents**ZAPATA CORPORATION****UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS****(In Thousands, Except Per Share Amounts)**

	For the Three Months Ended September 30, 2009 (as restated)		For the Nine Months Ended September 30, 2009 (as restated)	
	2008	2008	2008	2008
	\$	\$	\$	\$
Revenues				
Cost of revenues				
Gross profit				
Operating expense:				
General and administrative	1,401	856	3,775	2,409
Total operating expenses	1,401	856	3,775	2,409
Operating loss	(1,401)	(856)	(3,775)	(2,409)
Other income:				
Interest income	55	490	197	2,836
Other, net	831	3	1,246	75
	886	493	1,443	2,911
(Loss) income before income taxes	(515)	(363)	(2,332)	502
(Provision) benefit for income taxes	(7,984)	175	(7,356)	(59)
Net (loss) income	(8,499)	(188)	(9,688)	443
Net income attributable to noncontrolling interest	1		2	1
Net (loss) income attributable to Zapata Corporation	\$ (8,498)	\$ (188)	\$ (9,686)	\$ 444
Net (loss) income per common share basic and diluted	\$ (0.44)	\$ (0.01)	\$ (0.50)	\$ 0.02
Weighted average common shares outstanding:				
Basic	19,281	19,276	19,278	19,276
Diluted	19,281	19,276	19,278	19,398

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

Table of Contents**ZAPATA CORPORATION****UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS****(In thousands)**

	For the Nine Months Ended September 31,	
	2009 (as restated)	2008
Cash flows from operating activities:		
Net (loss) income	\$ (9,688)	\$ 443
Adjustments to reconcile net (loss) income to net cash (used in) provided by operating activities:		
Depreciation	4	
Deferred income taxes	7,336	(77)
Changes in assets and liabilities:		
Other receivables	63	93
Prepaid expenses and other current assets	(186)	195
Other assets		44
Accounts payable	(29)	(78)
Pension liabilities	683	(31)
Accrued liabilities and other current liabilities	458	(114)
Other liabilities	(57)	(83)
Net cash (used in) provided by operating activities	(1,416)	392
Cash flows from investing activities:		
Purchases of investments	(24,041)	(302,064)
Maturities of investments	11,989	162,442
Capital expenditures	(42)	
Net cash used in investing activities	(12,094)	(139,622)
Net decrease in cash and cash equivalents	(13,510)	(139,230)
Cash and cash equivalents at beginning of period	142,694	139,251
Cash and cash equivalents at end of period	\$ 129,184	\$ 21

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

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ZAPATA CORPORATION

**NOTES TO UNAUDITED CONDENSED
CONSOLIDATED FINANCIAL STATEMENTS**

Note 1. Summary of Operations and Basis of Presentation

The unaudited condensed consolidated financial statements included herein have been prepared by Zapata Corporation (referred to as the Company, we, us, our, or Zapata) pursuant to the rules and regulations of the Securities and Exchange Commission (the Commission). The financial statements reflect all adjustments that are, in the opinion of management, necessary for a fair statement of such information. All such adjustments are of a normal recurring nature. Although Zapata believes that the disclosures are adequate to make the information presented not misleading, certain information and footnote disclosures, including a description of significant accounting policies normally included in financial statements prepared in accordance with accounting principles generally accepted in the United States of America, have been condensed or omitted pursuant to such rules and regulations. The year-end condensed balance sheet data was derived from audited financial statements, but does not include all disclosures required by accounting principles generally accepted in the United States of America. The interim financial statements should be read in conjunction with the financial statements and the notes thereto included in Zapata's Annual Report on Form 10-K for the year ended December 31, 2008 filed with the Securities and Exchange Commission and with the information presented by Zap.Com Corporation (Zap.Com) in its Annual Reports on Form 10-K for the year ended December 31, 2008. The results of operations for the three and nine month periods ended September 30, 2009 are not necessarily indicative of the results for any subsequent quarter or the entire fiscal year ending December 31, 2009. The Company evaluated subsequent events through the date when the financial statements were issued.

Business Description

Zapata is a holding company with approximately \$153.2 million in consolidated cash, cash equivalents and investments at September 30, 2009 and currently owns approximately 98% of Zap.Com, a public shell company. Zap.Com is a public shell company that does not have any existing business operations other than complying with its reporting requirements under the Securities Exchange Act of 1934 (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.

Noncontrolling Interests

On January 1, 2009, the Company adopted new accounting rules in accordance with Generally Accepted Accounting Principles (GAAP) which changed the accounting and reporting for minority interests by recharacterizing these amounts as noncontrolling interests classified as a component of equity in the consolidated balance sheets. Per the new rules, the consolidated statement of operations includes Net income, which represents net income attributable to Zapata Corporation and noncontrolling interests, Net income attributable to noncontrolling interests and a new line item titled Net income attributable to Zapata Corporation, which is equal to the prior definition of net income. In addition, prior period amounts have been reclassified to conform to the requirements of the new standard.

Reclassification

Certain reclassifications of prior year information have been made to conform to the current presentation.

Table of Contents**Note 2. Change of Control**

On July 9, 2009, Harbinger Capital Partners Master Fund I, Ltd. (Master Fund), Global Opportunities Breakaway Ltd. (Global Fund) and Harbinger Capital Partners Special Situations Fund, L.P. (Special Situations Fund) and together with the Master Fund and Global Fund, the Harbinger Funds) purchased 9,937,962 shares, or 51.6%, of the Company s common stock and 757,907 shares, or 1.5%, of Zap.Com common stock from The Malcolm I. Glazer Family Limited Partnership, Malcolm I. Glazer, Avram A. Glazer, Linda Glazer, Bryan Glazer, Edward Glazer and Joel Glazer (the Sellers). The Company refers to this transaction as the Harbinger Purchase Transaction. The Harbinger Funds subsequently purchased 12,099 additional shares of the Company s common stock. In connection with the Harbinger Purchase Transaction, Philip A. Falcone, Lawrence M. Clark, Jr., Peter A. Jenson and Corrine J. Glass were elected to the Zapata board of directors (the Board) and two incumbent independent directors and four incumbent directors affiliated with our prior controlling stockholders resigned or were not re-elected at the 2009 annual meeting of our stockholders. Each of Messrs. Falcone, Clark and Jenson and Ms. Glass are employees of an affiliate of the Harbinger Funds.

The information in this Report relating to the Harbinger Purchase Transaction and the beneficial ownership of Zapata shares and Zap.Com shares by the Harbinger Funds and the Sellers is based solely on the Schedule 13Ds filed with the Commission by The Malcolm I. Glazer Family Limited Partnership, Malcolm Glazer, Linda Glazer and related beneficial owners on June 19, 2009 and July 13, 2009 and by Harbinger Capital Partners Master Fund I, Ltd. and related beneficial owners on June 19, 2009, July 13, 2009 and November 4, 2009.

On July 9, 2009, Zapata notified the New York Stock Exchange (NYSE) of its belief that, as a result of the changes in the composition of its Board, Zapata is no longer in compliance with the standards under Sections 303A.06 and 303A.07 of the NYSE Listed Company Manual relating to audit committee composition and independence. On July 10, 2009, Zapata received a letter from the NYSE noting this deficiency and acknowledging receipt of Zapata s notice. On October 7, 2009, Thomas M. Hudgins was elected to the Board and as a member and chairman of the Board s Audit Committee. The Board has determined that Mr. Hudgins qualifies as independent under the listing standards of the NYSE and as an audit committee financial expert as defined by regulations promulgated by the Commission. On October 31, 2009, Lap Wai Chan was elected to the Board and as a member of the Audit Committee. Based upon Mr. Chan s work experience, education and other relevant information, the Board has determined that Mr. Chan qualifies as independent under the listing standards of the NYSE and as an audit committee financial expert as defined by regulations promulgated by the Commission. The Audit Committee now consists of Robert V. Leffler, Jr., Thomas Hudgins and Lap Wai Chan. We are now in compliance with the requirements of Sections 303A.06 and 303A.07 of the NYSE Listed Company Manual. On October 7, 2009, Corrine J. Glass resigned and Keith Hladek, an employee of an affiliate of the Harbinger Funds, was elected to the Board.

Note 3. Cash and Cash Equivalents

All highly liquid investments with original maturities of three months or less are considered to be cash equivalents. The Company s cash and cash equivalents at September 30, 2009 and December 31, 2008 consisted of the following:

	September 30, 2009		
	(in thousands)		
	Amortized Cost	Fair Market Value	Unrealized Loss
U.S. Treasury Bills	\$ 128,228	\$ 128,226	\$ (2)
Treasury money market	201	201	
Checking accounts	756	756	
Total cash and cash equivalents	\$ 129,185	\$ 129,183	\$ (2)

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As of September 30, 2009, amortized cost shown above included approximately \$1,000 of accrued interest which was included within the Other Receivables caption on the Company's Condensed Consolidated Balance Sheet. Interest rates on the Treasury Bills above ranged from 0.00% to 0.03% at September 30, 2009.

	December 31, 2008 (in thousands)		
	Amortized	Fair	Unrealized
	Cost	Market	Loss
		Value	Gain
U.S. Treasury Bills	\$ 142,680	\$ 142,675	\$ (5)
Treasury money market	3	3	
Checking accounts	11	11	
Total cash and cash equivalents	\$ 142,694	\$ 142,689	\$ (5)

As of December 31, 2008, amortized cost shown above included no accrued interest. Interest rates on the Treasury Bills above ranged from -0.10% to 0% at December 31, 2008.

Note 4. Short-Term Investments

As of September 30, 2009 and December 31, 2008, the Company had held-to-maturity investments, recorded at original cost plus accrued interest, with maturities up to approximately ten months and six months, respectively. The Company's short-term investments at September 30, 2009 and December 31, 2008 consisted of the following:

	September 30, 2009 (in thousands)		
	Amortized	Fair	Unrealized
	Cost	Market	Gain
		Value	(Loss)
U.S Treasury Bills	\$ 12,042	\$ 12,050	\$ 8
U.S Treasury Notes	3,984	3,947	(37)
Total short-term investments	\$ 16,026	\$ 15,997	\$ (29)

As of September 30, 2009, amortized cost shown above included approximately \$36,000 of accrued interest which is included within the Other Receivables caption on the Company's Condensed Consolidated Balance Sheet. Interest rates on the above investments ranged from 0.36% to 0.62% at September 30, 2009.

	December 31, 2008 (in thousands)		
	Amortized	Fair Market	Unrealized
	Cost	Value	(Loss)
			Gain
U.S Treasury Notes	\$ 8,071	\$ 7,976	\$ (95)

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U.S Treasury Bills	4,031	4,032	1
Total short-term investments	\$ 12,102	\$ 12,008	\$ (94)

As of December 31, 2008, amortized cost shown above included approximately \$137,000 of accrued interest which was included within the Other Receivables caption on the Company's Condensed Consolidated Balance Sheet. Interest rates on the above investments ranged between 1.70% and 2.05% at December 31, 2008.

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Table of Contents**Note 5. Long-Term Investments**

As of September 30, 2009, the Company had held-to-maturity investments, recorded at original cost plus accrued interest, with maturities between one and two years. The Company's long-term investments at September 30, 2009 consisted of the following:

	September 30, 2009 (in thousands)		
	Amortized Cost	Fair Market Value	Unrealized (Loss)
U.S Treasury Notes	\$ 8,032	\$ 8,009	\$ (23)

As of September 30, 2009, amortized cost shown above included approximately \$5,000 of accrued interest which is included within the Other Receivables caption on the Company's Condensed Consolidated Balance Sheet. Interest on the above Treasury Notes ranged between 0.54% and 0.60% at September 30, 2009. The Company had no long-term investments at December 31, 2008.

Note 6. Comprehensive (Loss) Income

The components of comprehensive (loss) income are as follows:

	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2009	2008	2009	2008
	(in thousands)			
Net (loss) income	\$ (8,499)	\$ (188)	\$ (9,688)	\$ 443
Amortization of previously unrecognized pension amounts, net of tax effects	143	84	429	253
Total comprehensive (loss) income	(8,356)	(104)	(9,259)	696
Comprehensive (loss) attributable to the noncontrolling interest	1		2	1
Total comprehensive (loss) income attributable to Zapata Corporation	\$ (8,355)	\$ (104)	\$ (9,257)	\$ 697

Note 7. 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 they were antidilutive due to the Company's net loss for the period (in thousands, except per share amounts):

	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2009	2008	2009	2008
Potential common shares excluded from the calculation of diluted earnings per share:				
Stock options	399	427	399	18
Weighted average price per share	\$ 5.01	\$ 5.12	\$ 5.01	\$ 9.79

Table of Contents**Note 8. Commitments and Contingencies****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 reimbursement under a general agreement of indemnity entered into by Zapata in the late 1970s. It appears that Utica Mutual is seeking reimbursement for payments it claims to have made under certain workers compensation surety bonds and reclamation bonds which were issued to certain former Zapata subsidiaries and are alleged by Utica Mutual to be covered by the general agreement of indemnity. While the precise amount of Utica Mutual's claim is unclear, it appears they are claiming approximately \$518,000. Zapata believes there are a number of valid defenses to the claims under both the workers compensation and reclamation bonds.

After the Company filed a formal answer and served 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 in June 2007. During the fourth quarter of 2007 the Court issued a formal discovery schedule and discovery has continued since that time. At this stage of the discovery process, the Company is unable to estimate the potential losses. As such, as of September 30, 2009 and December 31, 2008, 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.

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 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.

Captive Insurance Arrangement

During a two year period commencing in 1993, the Company entered into a rent-a-captive arrangement for workers compensation insurance coverage whereby the Company funded premiums in an account maintained by an offshore entity related to a sponsor insurance carrier based in the United States. Due to significant liquidity concerns, the sponsor insurance company entered into voluntary rehabilitation during 2002. Based on this event, the Company wrote off the balance of the excess collateral arising from this arrangement. In September 2009, the Company received a refund of \$800,000 representing excess collateral relating to this arrangement and recorded this refund as Other Income on the Company's Condensed Consolidated Statements of Operations. There is one remaining open claim which is above the Company's deductible and significantly below policy limits. Accordingly, the Company does not believe that it has any material obligations under this arrangement and does not expect to receive additional material reimbursements.

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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 the current accounting rules for guarantees; accordingly, recognition requirements for these arrangements are not applicable. The Company is required to disclose these arrangements even if the likelihood of requiring the guarantor's performance is remote.

Note 9. Qualified Defined Benefit Plans

Zapata has a noncontributory defined benefit pension plan (the Plan) covering certain U.S. employees. In 2005, Zapata's Board authorized a plan to freeze the Plan in accordance with ERISA rules and regulations so that new employees, after January 15, 2006, would not be eligible to participate in the pension plan and further benefits would 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.

Additionally, Zapata has a supplemental pension plan, which provides supplemental retirement payments to certain former senior executives of Zapata. Effective December 1994, the supplemental pension plan was frozen.

Zapata plans to make no contributions to its pension plan or to its supplemental pension plan in 2009.

The amounts shown below reflect the consolidated defined benefit pension plan expense, including the supplemental pension plan expense.

Components of Net Periodic Benefit Cost

	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2009	2008	2009	2008
	(in thousands)			
Service cost	\$	\$	\$	\$
Interest cost	275	273	825	818
Expected return on plan assets	(242)	(379)	(726)	(1,137)
Amortization of previously unrecognized amounts	220	137	660	411
Net periodic pension cost	\$ 253	\$ 31	\$ 759	\$ 92

Note 10. Share-Based Compensation

As of January 1, 2008, all share-based compensation arrangements were fully vested, and therefore, there is no unrecognized compensation cost as of September 30, 2009 or 2008. The Condensed Consolidated Statements of Operations for the three and nine months ended September 30, 2009 and 2008 included no share-based compensation costs or associated income tax benefits. Based on current grants, total share-based compensation cost for fiscal year 2009 is expected to be zero.

Zapata Corporate

Zapata Corporate had no share-based grants in the nine months ended September 30, 2009. A summary of option activity under the Zapata Corporate share-based compensation plans as of September 30, 2009, and changes during the nine months then ended is presented below:

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	Shares	Weighted Average Exercise Price	Weighted Average Remaining Contractual Term	Aggregate Intrinsic Value (in thousands)
Outstanding at January 1, 2009	427,040	\$ 5.12		
Granted				
Exercised	16,000	\$ 3.33		
Forfeited or expired	12,000	\$ 10.94		
Outstanding at September 30, 2009	399,040	\$ 5.01	3.2 years	\$ 780
Exercisable at September 30, 2009	399,040	\$ 5.01	3.2 years	\$ 780

The total intrinsic value of stock options exercised during the three and nine months ended September 30, 2009 was \$61,000. The stock options exercised were net exercises, pursuant to which the optionee received shares of common stock equal to the intrinsic value of the options (fair market value of common stock on date of exercise less exercise price) reduced by any applicable withholding taxes. The Company issued 8,516 shares of common stock during the third quarter of 2009 related to these exercises.

Zap.Com

Zap.Com had no share-based grants in the nine months ended September 30, 2009. A summary of option activity under the Zap.Com stock-based compensation plan as of September 30, 2009, and changes during the nine months then ended is presented below:

	Shares	Weighted Average Exercise Price	Weighted Average Remaining Contractual Term	Aggregate Intrinsic Value
Outstanding at January 1, 2009	511,300	\$ 0.08		
Granted				
Exercised				
Forfeited or expired	365,000	\$ 0.08		
Outstanding at September 30, 2009	146,300	\$ 0.08	0.1 years	\$ 40
Exercisable at September 30, 2009	146,300	\$ 0.08	0.1 years	\$ 40

Note 11. Related Party Transactions

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 three months ended September 30, 2009 and 2008, approximately \$2,000 and \$3,000, respectively, and \$9,000 and \$10,000, respectively, for the nine months ended September 30, 2009 and 2008 was recorded as contributed capital for these services.

Note 12. Recently Issued Accounting Pronouncements

Effective for the quarterly period beginning April 1, 2009, the Company was required to implement new accounting guidance that amended existing regulations for determining whether an other than temporary impairment of debt securities has occurred. Among other changes, the new guidance replaced the existing requirement that an entity's management assert it has both the intent and ability to hold an impaired security until recovery with a requirement that management assert (a) it does not have the intent to sell the security, and (b) it is more likely than not it will not have to sell the security before recovery of its cost basis. The adoption of this guidance did not have a material impact on the Company's financial position, results of operations or cash flows.

Effective starting with interim or annual financial periods ending after September 15, 2009, the Company is required to include additional disclosures for events that occur after the balance sheet date but before financial statements are

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issued or are available to be issued. The guidance with respect to such disclosures includes: (1) the period after the balance sheet date during which management of a reporting entity should evaluate events or transactions that may occur for potential recognition or disclosure in the financial statements; (2) the circumstances under which an entity should recognize events or transactions occurring after the balance sheet date in its financial statements; and (3) the disclosures that an entity should make about events or transactions that occurred after the balance sheet date. The implementation of this guidance did not have a material impact on the Company's financial position, results of operations or cash flows.

Note 13. Industry Segment and Geographic Information

The following summarizes certain financial information for each segment for the three months and nine months ended September 30, 2009 and 2008 (in thousands):

	Revenues	Operating Loss	Total Assets	Depreciation and Amortization	Interest Income	Income Tax (Provision) Benefit
Three Months Ended September 30, 2009						
Corporate	\$	\$ (1,358)	\$ 153,694	\$ 4	\$ 54	\$ (7,984)
Zap.Com		(43)	1,472		1	
	\$	\$ (1,401)	\$ 155,166	\$ 4	\$ 55	\$ (7,984)
Three Months Ended September 30, 2008						
Corporate	\$	\$ (838)	\$ 164,158	\$	\$ 486	\$ 175
Zap.Com		(18)	1,611		4	
	\$	\$ (856)	\$ 165,769	\$	\$ 490	\$ 175
Nine Months Ended September 30, 2009						
Corporate	\$	\$ (3,626)	\$ 153,694	\$ 4	\$ 196	\$ (7,356)
Zap.Com		(149)	1,472		1	
	\$	\$ (3,775)	\$ 155,166	\$ 4	\$ 197	\$ (7,356)
Nine Months Ended September 30, 2008						
Corporate	\$	\$ (2,345)	\$ 164,158	\$	\$ 2,807	\$ (59)
Zap.Com		(64)	1,611		29	
	\$	\$ (2,409)	\$ 165,769	\$	\$ 2,836	\$ (59)

Note 14. Subsequent Events**Reincorporation Merger**

On November 3, 2009, our Board adopted an Agreement and Plan of Merger (the "Merger Agreement") between our company and its newly formed, wholly-owned subsidiary, Harbinger Group Inc., a Delaware corporation formed by us for this purpose ("Harbinger Group"). Also on November 3, 2009, the holders of a majority of our issued and

outstanding shares of common stock consented in writing to the Merger Agreement. On November 4, 2009, we entered into the Merger Agreement with Harbinger Group. The Merger Agreement provides for the merger of our company with and into Harbinger Group (the Reincorporation Merger) and will result in the following:

- o the domicile of our company will change from the State of Nevada to the State of Delaware;

- o we will be governed by the laws of the State of Delaware and by a new Certificate of Incorporation and new Bylaws prepared in accordance with Delaware law;

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- o our stockholders will receive one share of common stock of Harbinger Group for each share of our common stock owned by them at the time the Reincorporation Merger is effected;
- o the persons presently serving as our executive officers and directors will serve in their same respective positions with Harbinger Group;
- o our name will change to Harbinger Group Inc. ; and
- o Harbinger Group will be the successor corporation and continue the business of Zapata.

We filed a preliminary Information Statement on Schedule 14C (the Information Statement) with the Commission on November 4, 2009. We anticipate that the Reincorporation Merger will become effective 20 calendar days after the date we mail the definitive Information Statement to our stockholders. Following the Reincorporation Merger, our trading symbol will change to HRG .

Termination of Stock Repurchase Program

In December 2002, our Board authorized us to purchase up to 4.0 million shares of our outstanding common stock in the open market or privately negotiated transactions. On November 3, 2009, our Board terminated this authorization.

Note 15. Restatement

Subsequent to the issuance of the Unaudited Condensed Consolidated financial statements as of and for the three months and nine month periods ended September 30, 2009, the Company identified an error in its accounting for certain deferred tax assets associated with the change of ownership that occurred during the quarter ended September 30, 2009. Although the Company indicated that this change constituted a change of ownership pursuant to Section 382 and 383 of the Internal Revenue Code, the Company incorrectly concluded that such ownership change would not limit our ability to utilize our net operating loss carryforwards and alternative minimum tax credits.

However, the Company has subsequently determined that this conclusion was not consistent with the prescribed method for calculating such limits in accordance with Section 382 and Section 383. Accordingly, the Company has restated the Unaudited Condensed Consolidated financial statements as of and for the three and nine month periods ended September 30, 2009 to correct the accounting error. As a result, the Company recognized the write-off of \$8.2 million of deferred tax assets in the third quarter of 2009. The following tables show the Unaudited Condensed Consolidated Statement of Operations and the Unaudited Condensed Consolidated Balance Sheet line items that have been restated.

	As Previously Reported	Adjustments	As Restated
Condensed Consolidated Statement of Operations			
Three Months Ended September 30, 2009			
Benefit (provision) for income taxes	\$ 169	\$(8,153)	\$ (7,984)
Net loss	\$ (346)	\$(8,153)	\$ (8,499)
Not loss attributable to Zapata Corporation	\$ (345)	\$(8,153)	\$ (8,498)
Net loss per common share basic and diluted	\$ (0.02)	\$ (0.42)	\$ (0.44)

	As Previously Reported	Adjustments	As Restated
Condensed Consolidated Statement of Operations			
Nine Months Ended September 30, 2009			
Benefit (provision) for income taxes	\$ 797	\$(8,153)	\$ (7,356)
Net loss	(1,535)	\$(8,153)	\$ (9,688)
Not loss attributable to Zapata Corporation	(1,533)	\$(8,153)	\$ (9,686)
Net loss per common share basic and diluted	(0.08)	\$ (0.42)	\$ (0.50)

	As Previously
Condensed Consolidated Balance Sheet	

September 30, 2009	Reported	Adjustments	As Restated
Other assets, net	\$ 9,571	\$(8,153)	\$ 1,418
Total assets	\$163,319	\$(8,153)	\$155,166
Retained earnings	\$ 35,659	\$(8,153)	\$ 27,506
Total Zapata Corporation stockholders' equity	\$157,710	\$(8,153)	\$149,557
Total equity	\$157,740	\$(8,153)	\$149,587
Total liabilities and equity	\$163,319	\$(8,153)	\$155,166

	As Previously Reported	Adjustments	As Restated
Condensed Consolidated Statements of Cash Flows			
Nine Months Ended September 30, 2009			
Net (loss) income	(1,533)	(8,155)	(9,688)
Noncontrolling interest of subsidiaries	(2)	2	
Deferred income taxes	(817)	8,153	7,336

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Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

As discussed in Note 15 to the unaudited condensed consolidated financial statements, the Company's financial statements have been restated. The accompanying management's discussion and analysis gives effect to that restatement.

This Quarterly Report on Form 10-Q/A (the Report), future filings by Zapata and our majority owned subsidiary, Zap.Com, with the Commission may contain certain forward-looking statements as such term is defined by the Commission in its rules, regulations and releases, which represent our expectations or beliefs, including, but not limited to, statements concerning our operations, economic performance, financial condition, growth and acquisition strategies, investments and future operational plans, such as those disclosed under the caption Risk Factors appearing in Item 1A of Part II of this Report, and in Item 1A of our Annual Report on Form 10-K for the fiscal year ended December 31, 2008. For this purpose, any statements contained herein that are not statements of historical fact may be deemed to be forward-looking statements. Without limiting the generality of the foregoing, words such as may, will, expect, believe, anticipate, intend, could, estimate, might, or continue or the negative or other variations of comparable terminology are intended to identify forward-looking statements. These statements, by their nature, involve substantial risks and uncertainties, certain of which are beyond our control, and actual results may differ materially depending on a variety of important factors, including uncertainty related to acquisitions, governmental regulation and any other factors discussed in our filings with the Commission. These risks and uncertainties include, without limitation, the following:

- o We may not be successful in identifying any suitable acquisition opportunities.
- o Volatility in global credit markets may impact our ability to obtain financing to fund acquisitions.
- o We are majority owned by the Harbinger Funds. The interests of the Harbinger Funds may conflict with interests of other stockholders. As a result of this ownership, we are a controlled company within the meaning of the NYSE rules and are exempt from certain corporate governance requirements.
- o Future acquisitions and dispositions may not require a stockholder vote and may be material to us.
- o The market liquidity for our common stock is relatively low and may make it difficult to purchase or sell our stock.
- o We may suffer adverse consequences if we are deemed an investment company and we may incur significant costs to avoid investment company status.
- o Since we already meet the ownership criteria of the personal holding company rules, we may be subject to an additional tax on future undistributed personal holding company income if we generate passive income in excess of operating expenses.
- o A change of ownership could reduce the benefits associated with our tax assets.
- o Agreements and transactions involving former subsidiaries or related parties may give rise to future claims that could materially adversely impact our capital resources.
- o Litigation defense and settlement costs may be material.
- o 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.

Zapata Corporation

We were incorporated in Delaware in 1954 and reincorporated in Nevada in April 1999. Our principal executive offices are at 100 Meridian Centre, Suite 350, Rochester, New York 14618. Our common stock is listed on the NYSE and trades under the symbol ZAP.

We are a holding company which has approximately \$153.2 million in consolidated cash, cash equivalents and investments at September 30, 2009 and currently owns approximately 98% of Zap.Com, a public shell company that trades on the over-the-counter electronic bulletin board (OTCBB) under the symbol ZPCM.

In December 2006, we completed the disposition of our 57% ownership interest in common stock of Omega Protein Corporation. Since that time, we have held cash, cash equivalents and investments in U.S. Government Agency or Treasury securities, and have held no investment securities (as that term is defined in the 1940 Act). In addition, we have not held, and do not hold, ourselves out as an investment company. During this time, we have conducted a good faith search for an acquisition or business combination candidate, and have repeatedly and publicly disclosed our intention to acquire or combine with such a business. Based on the foregoing, we believe that we are not an investment company under the 1940 Act.

On July 9, 2009, the Harbinger Funds purchased 9,937,962 shares, or 51.6%, of our common stock. The Harbinger Funds later purchased 12,099 additional shares of our common stock, resulting in a total of 9,950,061 shares, or 51.6% of our common stock. Our Board is now composed of Philip A. Falcone, Lawrence M. Clark, Jr., Peter A. Jenson and Keith Hladek, each of whom is an employee of an affiliate of the Harbinger Funds, and Lap Wai Chan, Thomas Hudgins and Robert V. Leffler Jr., each of whom is an independent director. Philip A. Falcone is Zapata's Chairman of the Board, President and Chief Executive Officer and Peter Jenson is Zapata's Secretary.

Our principal focus has been, and following the Harbinger Purchase Transaction continues to be, identifying and evaluating business combinations and acquisitions of businesses or assets. Our new affiliation with the Harbinger Funds gives us access to new acquisition and business combination opportunities, including businesses which are controlled by, affiliated with or otherwise known to the Harbinger Funds. As a result of these continuing efforts, we regularly review acquisition and business combination proposals, including those known to the Harbinger Funds, those presented by third parties and those sought out by us. At any time, we are likely to be engaged in ongoing discussions with respect to several possible acquisitions or business combinations of widely varying sizes and in disparate industries. As of the date of this Report, we do not have any agreement with respect to any such acquisition. There can be no assurance that any of these discussions will result in a definitive purchase agreement and if they do, what the terms or timing of any agreement would be.

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We may pay acquisition consideration in the form of cash, our debt or equity securities or a combination. In addition, as a part of our acquisition strategy we will consider raising additional capital through the issuance of equity or debt securities, including the issuance of preferred stock.

We have not focused and do not intend to focus our acquisition efforts solely on any particular industry. Additionally, while we generally focus our attention in the United States, we may investigate acquisition opportunities outside of the United States when we believe that such opportunities might be attractive.

In identifying, evaluating and selecting a target business, we 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 us, and our financial resources will be relatively limited when contrasted with many of these competitors. Any of these factors may place us at a competitive disadvantage in successfully negotiating a business combination. Moreover, the Harbinger Funds and their affiliates include other vehicles that actively are seeking investment opportunities, and any one of those vehicles may at any time be seeking investment opportunities similar to those targeted by the Company. The Company's directors and officers who are affiliated with the Harbinger Funds will allocate acquisition opportunities among vehicles consistent with their fiduciary duties and based upon, among other things, asset type and investment time horizon. In recognition of the potential conflicts that these persons and our other directors may have with respect to corporate opportunities, the certificate of incorporation for Harbinger Group permits our board of directors from time to time to assert or renounce Harbinger Group's interests and expectancies in one or more specific industries. We believe that our status as a public entity and potential access to the public equity markets may give us a competitive advantage over privately-held entities with a similar business objective to acquire certain target businesses 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 our limited funds (as compared to many competitors) available for such a transaction, we have been unable to consummate an acquisition or business combination. Also, as of the date of this Report, we have not formally engaged any investment banks or related firms, although we may do so in the future, in which event we 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 December 2002, our Board authorized us to purchase up to 4.0 million shares of our outstanding common stock in the open market or privately negotiated transactions. No shares have been repurchased under this authorization and the Board has terminated this authorization.

Reincorporation Transaction

On November 3, 2009, our Board adopted a Merger Agreement between our company and its newly formed, wholly-owned subsidiary, Harbinger Group. Also on November 3, 2009, the holders of a majority of our issued and outstanding shares of common stock consented in writing to the Merger Agreement. On November 4, 2009, we entered into the Merger Agreement with Harbinger Group. For a discussion of the Merger Agreement, see Item 5. Other Information, Entry into a Material Definitive Agreement, below.

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.

Consolidated Results of Operations

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

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	Zapata Corporate	Zap.Com	Consolidated
Three Months Ended September 30, 2009			
Revenues	\$	\$	\$
Cost of revenues			
Gross profit			
Operating expense:			
Selling, general and administrative	1,358	43	1,401
Operating loss	(1,358)	(43)	(1,401)
Other income			
Interest income	54	1	55
Other, net	831		831
	885	1	886
Loss before income taxes	(473)	(42)	(515)
Provision for income taxes	(7,984)		(7,984)
Net loss	(8,457)	(42)	(8,499)
Net income attributable to noncontrolling interest		1	1
Net loss attributable to Zapata Corporation	\$ (8,457)	\$ (41)	\$ (8,498)
Basic and diluted net loss per share			\$ (0.44)

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	Zapata Corporate	Zap.Com	Consolidated
Three Months Ended September 30, 2008			
Revenues	\$	\$	\$
Cost of revenues			
Gross profit			
Operating expense:			
Selling, general and administrative	838	18	856
Operating loss	(838)	(18)	(856)
Other income			
Interest income	486	4	490
Other, net	3		3
	489	4	493
Loss before income taxes	(349)	(14)	(363)
Benefit for income taxes	175		175
Net loss	(174)	(14)	(188)
Net income attributable to noncontrolling interest			
Net loss attributable to Zapata Corporation	\$ (174)	\$ (14)	\$ (188)
Basic and diluted net loss per share			\$ (0.01)
Nine Months Ended September 30, 2009			
Revenues	\$	\$	\$
Cost of revenues			
Gross profit			
Operating expense:			
Selling, general and administrative	3,626	149	3,775
Operating loss	(3,626)	(149)	(3,775)

Other income			
Interest income	196	1	197
Other, net	1,246		1,246
	1,442	1	1,443
Loss before income taxes	(2,184)	(148)	(2,332)
Provision for income taxes	(7,356)		(7,356)
Net loss	(9,540)	(148)	(9,688)
Net income attributable to noncontrolling interest		2	2
Net loss attributable to Zapata Corporation	\$ (9,540)	\$ (146)	\$ (9,686)
Basic and diluted net loss per share			\$ (0.50)

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	Zapata Corporate	Zap.Com	Consolidated
Nine Months Ended September 30, 2008			
Revenues	\$	\$	\$
Cost of revenues			
Gross profit			
Operating expense:			
Selling, general and administrative	2,345	64	2,409
Operating loss	(2,345)	(64)	(2,409)
Other income			
Interest income	2,807	29	2,836
Other, net	69	6	75
	2,876	35	2,911
Income (loss) before income taxes	531	(29)	502
Provision for income taxes	(59)		(59)
Net income (loss)	472	(29)	443
Net income attributable to noncontrolling interest		1	1
Net income (loss) attributable to Zapata Corporation	\$ 472	\$ (28)	\$ 444
Basic and diluted net income per share			\$ 0.02

For more information concerning segments, see Note 13 to the Company's unaudited condensed Consolidated Financial Statements included in Item 1 of this Report.

Three Months Ended September 30, 2009 and 2008

Zapata reported a consolidated net loss of \$8.5 million or \$0.44 per share for the three months ended September 30, 2009 as compared to a consolidated net loss of \$188,000 or \$0.01 per share for the three months ended September 30, 2008. On a consolidated basis, the increase in net loss resulted primarily from the write off of \$8.2 million in net operating loss carryforwards and alternative minimum tax credits resulting from the Harbinger Purchase Transaction which constituted a change of ownership pursuant to Section 382 and 383 of the Internal Revenue Code. Additionally, the increase in net loss resulted from increases in professional fees and decreases in interest income, partially offset by the recognition of other income related to old businesses of Zapata.

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

Revenues. For the three months ended September 30, 2009 and 2008, we had no revenues. Since the Company sold our remaining operating business in December 2006, we do not expect to recognize revenues until the Company acquires one or more operating businesses.

Cost of revenues. For the three months ended September 30, 2009 and 2008, we had no cost of revenues.

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 three months ended September 30, 2009, general and administrative expenses totaled \$1.4 million and had increased \$545,000 from the prior comparable period primarily due to increases in professional fees of \$482,000 predominately arising from the Harbinger Purchase Transaction and resulting change of control, the transition to a re-constituted Board and the proposed Reincorporation Merger and an increase in actuarially determined pension expense of \$223,000, partially offset by a decrease in payroll costs of \$127,000.

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Interest income. Consolidated interest income decreased \$435,000 from \$490,000 for the three months ended September 30, 2008 to \$55,000 for the current quarter, resulting from lower interest rates on our cash, cash equivalents and investments.

Other, net. Consolidated other, net was \$831,000 and \$3,000 for the three months ended September 30, 2009 and 2008, respectively. During September 2009, we received a refund of excess collateral of \$800,000 from a rent-a-captive insurance arrangement which was entered into during 1993. As we had previously written off the balance of our excess collateral, the full amount of this refund was recorded as Other Income. We do not believe that we have any material obligations under this arrangement and do not expect to receive any additional material reimbursements related to this program.

Income taxes. The Company recorded a consolidated provision for income taxes of \$8.0 million for the three months ended September 30, 2009 as compared to a benefit of \$175,000 for the comparable period of the prior year. The change from a benefit to a provision was primarily related to the write off of \$8.2 million in net operating loss carryforwards and alternative minimum tax credits resulting from the Harbinger Purchase Transaction which constituted a change of ownership pursuant to Section 382 and 383 of the Internal Revenue Code.

Nine Months Ended September 30, 2009 and 2008

Zapata reported a consolidated net loss of \$9.7 million or \$0.50 per share for the nine months ended September 30, 2009 as compared to consolidated net income of \$444,000 or \$0.02 per diluted share for the nine months ended September 30, 2008. On a consolidated basis, the change from net income to net loss resulted primarily from the write off of \$8.2 million in net operating loss carryforwards and alternative minimum tax credits resulting from the Harbinger Purchase Transaction which constituted a change of ownership pursuant to Section 382 and 383 of the Internal Revenue Code. Additionally, the increase in net loss resulted from increases in professional fees and decreases in interest income, partially offset by the recognition of other income related to old businesses of Zapata. The following presents a more detailed discussion of our consolidated operating results:

Revenues. For the nine months ended September 30, 2009 and 2008, we had no revenues. Since the Company sold our remaining operating business in December 2006, we do not expect to recognize revenues until the Company acquires one or more operating businesses.

Cost of revenues. For the nine months ended September 30, 2009 and 2008, we had no cost of revenues.

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 nine months ended September 30, 2009, general and administrative expenses totaled \$3.8 million and had increased \$1.4 million from the prior comparable period primarily due to an increase in actuarially determined pension expense of \$661,000 and increases in professional fees of \$659,000 predominately arising from the Harbinger Purchase Transaction and resulting change of control, the transition to a re-constituted Board and the proposed Reincorporation Merger.

Interest income. Consolidated interest income decreased \$2.6 million from \$2.8 million for the nine months ended September 30, 2008 to \$197,000 for the current quarter, resulting from lower interest rates on our cash, cash equivalents and investments.

Other, net. Consolidated other, net was \$1.2 million and \$75,000 for the nine months ended September 30, 2009 and 2008, respectively. During the nine months ended September 2009, we received a refund of excess collateral of \$800,000 from a rent-a-captive arrangement which was entered into during 1993. As we had previously written off the balance of our excess collateral, the full amount of this refund was recorded as Other Income. We do not believe that we have any material obligations under this arrangement and do not expect to receive any additional material reimbursements related to this program. Also during the nine months ended September 2009, we received \$354,000 from settlement agreements entered into during 2009 related to two solvent schemes of arrangement with insurers in the London market. Under the terms of both agreements, the Company agreed to accept a payment in exchange for the termination of insurance coverage on certain non-operating subsidiaries. A solvent scheme is the mechanism by which solvent entities, including insurance companies, are able to shed liabilities and terminate their insurance and reinsurance obligations with judicial sanction. Such arrangements are authorized by Section 425 of the U.K.

Companies Act of 1985.

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Income taxes. The Company recorded a consolidated provision for income taxes of \$7.4 million for the nine months ended September 30, 2009 as compared to a provision for income taxes of \$59,000 for the comparable period of the prior year. The increase in the provision primarily related to the write off of \$8.2 million in net operating loss carryforwards and alternative minimum tax credits resulting from the Harbinger Purchase Transaction which constituted a change of ownership pursuant to Section 382 and 383 of the Internal Revenue Code.

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'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 our cash, cash equivalents and investments to fund all or a portion of the cost of any future acquisitions.

Zapata's current source of liquidity is its cash, cash equivalents and 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 and funding of start-up proposals. As of September 30, 2009, Zapata Corporate's cash, cash equivalents and investments were \$153.2 million as compared to \$154.7 million as of December 31, 2008.

Based on current levels of operations, Zapata management believes that the Company's cash, cash equivalents and investments on hand will be adequate to fund our 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 our subsidiaries do not have any off-balance sheet arrangements that are material to our financial position, results of operations or cash flows. The Company is a party to agreements with our officers, directors and to certain outside parties. For further discussion of these guarantees, see Note 8 to the Condensed Consolidated Financial Statements included in Item 1 of this report.

Summary of Cash Flows

The following table summarizes Zapata's consolidating cash flow information (in thousands):

	Zapata Corporate	Zap.Com	Consolidated
Nine Months Ended September 30, 2009			
Cash used in			
Operating activities	\$ (1,291)	\$ (125)	\$ (1,416)
Investing activities	(12,094)		(12,094)
Net decrease in cash and cash equivalents	\$ (13,385)	\$ (125)	\$ (13,510)

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	Zapata Corporate	Zap.Com	Consolidated
Nine Months Ended September 30, 2008			
Cash provided by (used in)			
Operating activities	\$ 472	\$ (80)	\$ 392
Investing activities	(138,018)	(1,604)	(139,622)
Net decrease in cash and cash equivalents	\$ (137,546)	\$ (1,684)	\$ (139,230)

Net cash (used in) provided by operating activities. Consolidated cash used in operating activities was \$1.4 million for the nine months ended September 30, 2009 as compared to cash provided by operating activities of \$392,000 for the nine months ended September 30, 2008. The change from cash provided by operating activities to cash used in operating activities resulted from less net income during 2009 as compared to 2008.

Net cash used in investing activities. Consolidated cash used in investing activities was \$12.1 million and \$139.6 million for the nine months ended September 30, 2009 and 2008, respectively. This decrease resulted from fewer purchases of investments during the nine months ended September 30, 2009 as compared to the similar period of the prior year.

The Company had no cash flows from financing activities for the nine months ended September 30, 2009 or 2008.

Recent Accounting Pronouncements

Effective for the quarterly period beginning April 1, 2009, the Company was required to implement new accounting guidance that amended existing regulations for determining whether an other than temporary impairment of debt securities has occurred. Among other changes, the new guidance replaced the existing requirement that an entity's management assert it has both the intent and ability to hold an impaired security until recovery with a requirement that management assert (a) it does not have the intent to sell the security, and (b) it is more likely than not it will not have to sell the security before recovery of its cost basis. The adoption of this guidance did not have a material impact on the Company's financial position, results of operations or cash flows.

Effective starting with interim or annual financial periods ending after September 15, 2009, the Company is required to include additional disclosures for events that occur after the balance sheet date but before financial statements are issued or are available to be issued. The guidance with respect to such disclosures includes: (1) the period after the balance sheet date during which management of a reporting entity should evaluate events or transactions that may occur for potential recognition or disclosure in the financial statements; (2) the circumstances under which an entity should recognize events or transactions occurring after the balance sheet date in its financial statements; and (3) the disclosures that an entity should make about events or transactions that occurred after the balance sheet date. The implementation of this guidance did not have a material impact on the Company's financial position, results of operations or cash flows.

Critical Accounting Policies and Estimates

As of September 30, 2009, the Company's consolidated critical accounting policies and estimates have not changed materially from those set forth in the Company's Annual Report on Form 10-K for the year ended December 31, 2008.

Item 3. Quantitative and Qualitative Disclosures about Market Risk

Not required for Smaller Reporting Companies.

Item 4. Controls and Procedures**Evaluation of disclosure controls and procedures**

The Company maintains disclosure controls and procedures that are designed to ensure that information required to be disclosed in the reports filed or submitted under the Securities Exchange Act of 1934, as amended (Exchange Act), is recorded, processed, summarized, and reported within the time periods specified in the Commission's rules and forms. Disclosure controls and procedures are designed to ensure that information required to be disclosed by the Company in its Exchange Act reports is accumulated and communicated to the Company's management including its principal

executive and financial officers, as appropriate to allow timely decisions regarding required disclosure. As discussed in the Explanatory Note at the beginning of this report and in Note 15 of the Notes to Unaudited Condensed Consolidated Financial Statements, the Company has restated its unaudited condensed consolidated financial statements for the three and nine month periods ended September 30, 2009 to correct errors in the Company's accounting for income taxes. In the Company's Quarterly Report on Form 10-Q for the quarter ended September 30, 2009, filed on November 4, 2009, management concluded that the Company's disclosure controls and procedures (as defined in the Exchange Act Rules 13a-15(e) and 15d-15(e)) as of the end of the period covered by this report were effective. In connection with the restatement, the Company's Chief Executive Officer (CEO) and Chief Financial Officer (CFO) re-evaluated the

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effectiveness of the Company's disclosure controls and procedures in place as of the end of the period covered by this quarterly report and have concluded that as a result of the aforementioned restatement, a material weakness existed as of September 30, 2009, and that the Company's disclosure controls and procedures were not effective. A material weakness is a control deficiency, or combination of control deficiencies, that results in more than a remote likelihood that a material misstatement of the annual or interim financial statements will not be prevented or detected.

As of September 30, 2009, the Company did not maintain effective controls over the application and monitoring of its accounting for income taxes. Specifically, the Company did not have controls designed and in place to ensure the accuracy and completeness of financial information provided by third party tax advisors used in accounting for income taxes and the determination of deferred income tax assets and the related income tax provision and the review and evaluation of the application of generally accepted accounting principles relating to accounting for income taxes. This control deficiency resulted in the restatement of the Company's unaudited condensed consolidated financial statements for the quarter ended September 30, 2009. Accordingly, management has determined that this control deficiency constitutes a material weakness.

Remediation Plan

The Company is implementing enhancements to its internal control over financial reporting to provide reasonable assurance that errors and control deficiencies in its accounting for income taxes will not recur. These enhancements are expected to include engaging our outside tax advisors in a more robust quarterly discussion, particularly with regard to unusual items, which should improve the review and oversight process relating to the internal controls over the Company's accounting for income taxes.

Changes in Internal Control over Financial Reporting

An evaluation was performed under the supervision of the Company's management, including the CEO and CFO, of whether any change in the Company's internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) occurred during the quarter ended September 30, 2009.

As a result of the Harbinger Purchase Transaction and the related director elections, during the quarter ended September 30, 2009, the Board and its Audit Committee consisted of only one independent director and did not include a financial expert, as defined by Item 407(d)(5)(ii) of Regulation S-K. This was deemed by the Company's management, including the CEO and CFO, to be a significant change in the Company's internal controls over financial reporting that materially affected or is reasonably likely to materially affect the Company's internal control over financial reporting. However, the Company's management does not believe that this change resulted in any material error in our financial reporting or any material weakness in our internal controls, although, no assurance can be given that there are no such material errors or weaknesses existing. To remedy this situation, the Board has elected Thomas Hudgins and Lap Wai Chan, who are both independent directors under the listing standards of the NYSE and financial experts, as defined by regulations promulgated by the Commission, to the Board and its Audit Committee.

Except as described above, there have been no changes in our internal controls over financial reporting that occurred during the quarter ended September 30, 2009 that have materially affected, or are reasonably likely to materially affect, our internal controls over financial reporting.

PART II. OTHER INFORMATION**Item 1. Legal Proceedings**

None.

Item 1A. Risk Factors

In examining an investment in our common stock, you should be aware that there are various risks which could negatively impact our 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 and other risks and uncertainties identified in our filings made with the Commission, press releases and public statements made by our authorized officers before you decide to purchase or make an investment decision regarding our common stock.

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

There is no assurance that we will be successful in identifying or consummating any suitable acquisitions and, if we do complete an acquisition, there is no assurance that it will be successful in enhancing our business or our financial

condition. We face significant competition for acquisition opportunities, which may inhibit our ability to complete suitable transactions or increase the cost we must pay. Acquisitions could divert a substantial amount of our

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management time and may be difficult for us to integrate. We may issue additional shares of common stock or other securities in connection with one or more acquisitions which may dilute the interest of our existing stockholders. Depending upon the size and number of any acquisitions, we may also borrow money to fund acquisitions or to fund operations of our business. In that event, we would be subject to the risks normally associated with indebtedness, including the inability to service the debt or the dedication of a significant amount of cash flow to service the debt, limits on our ability to secure future financing and the imposition of various covenants, including restrictions on our operations.

Volatility in global credit markets may impact our ability to obtain financing to fund acquisitions.

Our ability to consummate an acquisition may be largely dependent on our ability to obtain debt or equity 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 raise equity capital or to obtain sufficient credit to finance an acquisition until the conditions become more favorable.

The interests of the Harbinger Funds, our controlling stockholders, may conflict with interests of other stockholders.

The Harbinger Funds own more than 50% of our combined voting power and, because of this, exercise a controlling influence over our business and affairs and have the power to determine all matters submitted to a vote of our stockholders, including the election of directors, the removal of directors, and approval of significant corporate transactions such as amendments to our certificate of incorporation, mergers and the sale of all or substantially all of our assets. Moreover, a majority of the members of our Board were nominated by and are affiliated with or employed by the Harbinger Funds or their affiliates. The Harbinger Funds could cause corporate actions to be taken even if the interests of these entities conflict with or are not aligned with the interests or plans of our other stockholders. This concentration of voting power could have the effect of deterring or preventing a change in control of our company that might otherwise be beneficial to our stockholders.

In addition, our current Nevada Articles of Incorporation include a provision requiring the affirmative vote or consent of holders of 80% of our voting stock (the Super-Majority Vote) to approve certain merger, asset sale, acquisition and lease transactions with certain beneficial owners of our common stock. Following the Reincorporation Merger, the Delaware charter of Harbinger Group (our successor) will omit such provision. Therefore, the Company could enter into a merger, asset sale, acquisition or lease transaction with an entity controlled by the Harbinger Funds without the requirement of a Super-Majority Vote.

Future acquisitions and dispositions may not require a stockholder vote and may be material to us.

Any 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 our common stock. In any event, depending upon the size and structure of any acquisitions, stockholders may not have the opportunity to vote on the transaction, and may not have access to any information about any new business until the transaction is completed and we file a report with the Commission disclosing the nature of such transaction and/or business.

We are majority-owned by the Harbinger Funds. As a result of this ownership, we are a controlled company within the meaning of the NYSE rules and are exempt from certain corporate governance requirements.

Because the Harbinger Funds own more than 50% of our combined voting power, we are deemed a controlled company under the rules of the NYSE. As a result, we qualify for, and rely upon, the controlled company exception to the Board and committee composition requirements under the rules of the NYSE. Pursuant to this exception, we are exempt from rules that would otherwise require that our Board be comprised of a majority of independent directors (as defined under the rules of the NYSE), and that our compensation committee and corporate governance and nominating committee be comprised solely of independent directors, so long as the Harbinger Funds continue to own more than 50% of our combined voting power.

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

As of October 29, 2009, we had 19,284,850 shares of common stock outstanding. The average daily trading volume in our stock during the three month period ended October 29, 2009 was approximately 11,800 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 our Omega shares, we have held substantially all of our assets in cash, cash equivalents and investments in U.S. Government Agency and Treasury securities, and have held no investment securities. In addition, we have not held, and do not hold, our self out as an investment company. We have been conducting a good faith search for a merger or acquisition candidate, and have repeatedly and publicly disclosed our intention to acquire 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 our limited funds (as compared to many competitors) available for such an acquisition, we have been unable to consummate such a transaction. Based on the foregoing, we believe that we are not an investment company under the 1940 Act. If the Commission or a Court were to disagree with us, we 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 us to undertake significant costs and expenses to meet the disclosure and regulatory requirements to which we would be subject as a registered investment company.

Since we already meet the ownership criteria of the personal holding company rules, we may be subject to an additional tax on future undistributed personal holding company income if we generate 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 generally is 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) more than 50% in value of its outstanding common stock is owned, directly or indirectly, by five or fewer individuals, as calculated under the applicable tax rule at any time during the last half of the taxable year.

We believe that five or fewer individuals held more than 50% in value of our outstanding common stock for purposes of IRC Section 541 as of September 30, 2009. Additionally, depending on a number of factors including cash available for investment, interest rates, and the nature and timing of business combination transactions, it is possible that we, or our domestic subsidiaries, could have at least 60% of adjusted ordinary gross income consist of personal holding company income. In addition, depending on the concentration of our stock, it is possible that more than 50% in value of our stock will continue to be owned by five or fewer individuals. Thus, there can be no assurance that we will not be subject to this tax in the future that in turn may materially and adversely impact our 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.

Table of Contents***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. We may have continuing obligations pursuant to certain of these transactions, including obligations to indemnify other parties to agreements, and may be subject to risks resulting from these transactions. For example, during the third quarter of 2005, we were notified by Weatherford International Inc. of a claim for reimbursement in connection with the investigation and cleanup of purported environmental contamination at two properties formerly owned by one of our non-operating subsidiaries. The claim was made under an indemnification provision given by us to Weatherford in a 1995 asset purchase agreement. There can be no assurance that we will not incur costs and expenses in excess of our reserve in connection with the Weatherford claim.

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.

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 businesses 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 market price of our common stock. Failure to comply with Section 404 could potentially subject us to sanctions or investigations by the Commission, or other regulatory authorities, which could also result in a decrease in the market price of our common stock.

Item 2. Unregistered Sales of Securities and Use of Proceeds

None.

Item 3. Defaults upon Senior Securities

None.

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

On November 3, 2009, our Board recommended that the Majority Stockholders approve the Merger Agreement and Reincorporation Merger. Also on November 3, 2009, the Majority Stockholders approved the Merger Agreement and Reincorporation Merger by written consent in lieu of a meeting.

Item 5. Other Information**Entry into a Material Definitive Agreement.**

On November 3, 2009, our Board adopted a Merger Agreement between our company and its newly formed, wholly-owned subsidiary, Harbinger Group. Also on November 3, 2009, the holders of a majority of our issued and outstanding shares of common stock consented in writing to the Merger Agreement. On November 4, 2009, we entered into the Merger Agreement with Harbinger Group. The Merger Agreement

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provides for the merger of our company with and into Harbinger Group (the Reincorporation Merger) and will result in the following:

- o the domicile of our company will change from the State of Nevada to the State of Delaware;
- o we will be governed by the laws of the State of Delaware and by a new Certificate of Incorporation and new Bylaws prepared in accordance with Delaware law;
- o our stockholders will receive one share of common stock of Harbinger Group for each share of our common stock owned by them at the time the Reincorporation Merger is effected;
- o the persons presently serving as our executive officers and directors will serve in their same respective positions with Harbinger Group;
- o our name will change to Harbinger Group Inc.; and
- o Harbinger Group will be the successor corporation and continue the business of Zapata.

We filed an Information Statement with the Commission on November 4, 2009. We anticipate that the Reincorporation Merger will become effective 20 calendar days after the date we mail the definitive Information Statement to our stockholders. Following the Reincorporation Merger, our trading symbol will change to HRG . A copy of the Merger Agreement is attached hereto as Exhibit 10.3 and incorporated herein by reference.

Departure of Directors or Certain Officers; Election of Directors; Appointment of Certain Officers; Compensatory Arrangements of Certain Officers

On October 31, 2009, our Board elected Mr. Lap Wai Chan as a director to fill the remaining Board vacancy. Mr. Chan was elected as a Class I director and will hold office until the Company's Annual Meeting to be held in 2011. Mr. Chan was also appointed to serve on the Board's Audit Committee.

Mr. Chan, 43, is a consultant to MatlinPatterson Global Advisors, a private equity firm focused on distressed control investments across a range of industries. From July 2002 to September 2009, Mr. Chan was a Managing Partner at MatlinPatterson. Prior to that, Mr. Chan was a Managing Director at Credit Suisse First Boston H.K. Ltd. Mr. Chan has extensive investment experience, particularly in Asia and Latin America.

Based upon Mr. Chan's work experience, education and other relevant information, the Board has determined that Mr. Chan qualifies as independent under the listing standards of the NYSE and as an audit committee financial expert as defined in regulations promulgated by the Commission.

Item 6. Exhibits

(a) Exhibits

- 3.1 Articles of Incorporation of Zapata Corporation filed with the 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)).
- 3.2 Amended and Restated By-Laws of Zapata Corporation as amended July 9, 2009 (Exhibit 3.2 to Zapata's Quarterly Report on Form 10-Q filed August 7, 2009 (File No. 1-4219)).
- 10.1 *Form of Indemnification Agreement by and among Zapata and Zap.Com Corporation and the Directors or Officers of Zapata and Zap.Com Corporation.
- 10.2 *Form of Indemnification Agreement by and among Zapata and the Directors or Officers of Zapata only.

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- 10.3* Agreement and Plan of Merger, dated as of November 4, 2009, by and between Zapata corporation, a Nevada corporation, and Harbinger Group Inc., a Delaware corporation.
- 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.

* Filed herewith.

** Furnished
herewith.

Management
contract or
compensatory
plan or
arrangement.

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SIGNATURES

Pursuant to the requirements 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)**

Dated: December 22, 2009

By: /s/ Leonard DiSalvo
Vice President Finance and Chief
Financial Officer
(on behalf of the Registrant and as
Principal Financial Officer)