ZAPATA CORP
Form 10-Q
August 05, 2008

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

FORM 10-Q

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

For the quarterly period ended June 30, 2008

OR

o **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	**74-1339132**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
100 Meridian Centre, Suite 350 Rochester, NY	**14618**
(Address of principal executive offices)	(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 þ or No o.

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 o	Accelerated filer þ	Non-accelerated filer o (Do not check if a smaller reporting company)	Smaller reporting company þ

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

As of July 30, 2008, the Registrant had outstanding 19,276,334 shares of common stock, $0.01 par value.

ZAPATA CORPORATION
TABLE OF CONTENTS

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)

	June 30, 2008	December 31, 2007
ASSETS		
Current assets:		
Cash and cash equivalents	$ 828	$ 139,251
Short-term investments	153,500	15,019
Other receivables	1,561	1,024
Prepaid expenses and other current assets	172	302
Total current assets	156,061	155,596
Other assets, net	9,777	9,848
Total assets	$ 165,838	$ 165,444
LIABILITIES AND STOCKHOLDERS EQUITY		
Current liabilities:		
Accounts payable	$ 84	$ 180
Accrued and other current liabilities	1,043	1,141
Total current liabilities	1,127	1,321
Pension liabilities	630	660
Other liabilities	1,148	1,330
Total liabilities	2,905	3,311
Commitments and contingencies		
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	37,836	37,204
Treasury stock, at cost, 5,432,080 shares	(31,668)	(31,668)
Accumulated other comprehensive loss	(7,765)	(7,934)

Total stockholders equity	162,900	162,099
Total liabilities and stockholders equity	$ 165,838	$ 165,444

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

Table of Contents

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

	For the Three Months Ended June 30,		For the Six Months Ended June 30,	
	2008	2007	2008	2007
Revenues	$	$	$	$
Cost of revenues				
Gross profit				
Operating expense:				
Selling, general and administrative	688	711	1,552	1,670
Operating loss	(688)	(711)	(1,552)	(1,670)
Other income:				
Interest income	864	1,956	2,345	3,900
Other, net	4	32	72	34
	868	1,988	2,417	3,934
Income before income taxes and minority interest	180	1,277	865	2,264
Benefit (provision) for income taxes	131	(592)	(234)	(1,113)
Minority interest in net income of consolidated subsidiaries	1	1	1	1
Net income	$ 312	$ 686	$ 632	$ 1,152
Net income per common share basic and diluted	$ 0.02	$ 0.04	$ 0.03	$ 0.06
Weighted average common shares outstanding:				
Basic	19,276	19,209	19,276	19,197
Diluted	19,399	19,328	19,400	19,442

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 Six Months Ended June 30, 2008	2007
Cash flows from operating activities:		
Net income	$ 632	$ 1,152
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization		3
Stock based compensation		9
Taxes paid in connection with stock based compensation		(220)
Deferred income taxes	200	702
Changes in assets and liabilities:		
Other receivables	(537)	(460)
Prepaid expenses and other current assets	130	146
Other assets	29	19
Accounts payable	(96)	(393)
Pension liabilities	(21)	(20)
Accrued liabilities and other current liabilities	(98)	(439)
Other liabilities	(181)	(44)
Net cash provided by operating activities	58	455
Cash flows from investing activities:		
Purchases of investments	(146,856)	(135,739)
Maturities of investments	8,375	131,939
Net cash used in investing activities	(138,481)	(3,800)
Net decrease in cash and cash equivalents	(138,423)	(3,345)
Cash and cash equivalents at beginning of period	139,251	136,889
Cash and cash equivalents at end of period	$ 828	$ 133,544

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

Table of Contents

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 (Zapata or the Company) pursuant to the rules and regulations of the Securities and Exchange 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 2007 Annual Report on Form 10-K filed with the Securities and Exchange Commission and with the information presented by Zap.Com Corporation (Zap.Com) in their 2007 Annual Report on Form 10-K. The results of operations for the three month period ended June 30, 2008 are not necessarily indicative of the results for any subsequent quarter or the entire fiscal year ending December 31, 2008.

Business Description

Zapata Corporation is a holding company which has approximately $154.3 million in consolidated cash, cash equivalents and short-term investments at June 30, 2008 and currently owns 98% of Zap.Com Corporation, a public shell company.

Zap.Com does not have any existing business operations. In the future Zap.Com may acquire an operating company. Zap.Com 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 Corporation (Omega Protein or Omega).

Note 2. Short-Term Investments

As of June 30, 2008 and December 31, 2007, the Company had held-to-maturity investments, recorded at original cost plus accrued interest, with maturities up to approximately nine months and ten months, respectively. Total amortized cost of short-term investments includes approximately $1.1 million and $310,000 of interest receivable at June 30, 2008 and December 31, 2007, respectively.

		June 30, 2008 (in thousands)	
	Amortized Cost	**Fair Market Value**	**Unrealized Loss**
Federal Home Loan Discount Notes less than one year	$ 142,947	$ 142,783	$ (164)
Federal Home Loan Agency Notes less than one year	3,836	3,753	(83)
Federal Home Loan Mortgage Corporation Agency Notes less than one year	7,785	7,777	(8)
Total Short-Term Investments	$ 154,568	$ 154,313	$ (255)

Table of Contents

Interest on the above investments ranged between 2.0% and 5.2% at June 30, 2008.
Due to recent market conditions and in an effort to preserve principal, the Company liquidated the above U.S. Government agency securities in July 2008, and invested all of its funds into U.S. Treasury securities. Although the Treasury securities generally have lower yields, they are fully insured by the U.S. Government against risk of loss. On the date of liquidation, the Company realized a consolidated loss of approximately $90,000.

		December 31, 2007 (in thousands)	
	Amortized Cost	Fair Market Value	Unrealized (Loss) Gain
Federal Home Loan Agency Note less than one year	$ 7,615	$ 7,534	$ (81)
Federal Home Loan Mortgage Corporation Discount Note less than one year	3,924	3,911	(13)
Federal Home Loan Mortgage Corporation Agency Note less than one year	3,790	3,795	5
Total Short-Term Investments	$ 15,329	$ 15,240	$ (89)

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

Note 3. Other Assets

Other assets are summarized as follows:

	June 30, 2008	December 31, 2007
	(in thousands)	
Prepaid pension cost	$ 3,068	$ 2,832
Deferred tax assets	6,709	7,016
	$ 9,777	$ 9,848

As of June 30, 2008 and December 31, 2007, the prepaid pension cost represents the funded status of the Zapata Pension Plan.

Note 4. Accrued and Other Current Liabilities

Accrued and other current liabilities are summarized as follows:

	June 30, 2008	December 31, 2007
	(in thousands)	
Insurance	$ 574	$ 577
Environmental reserves	100	100
Consulting agreement	113	113

Pension liabilities	103	103
Salary and benefits	57	110
Professional services	96	48
Federal and state income taxes		12
Other		78
	$ 1,043	$ 1,141

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

Table of Contents

Note 5. Other Liabilities

Other liabilities are summarized as follows:

	June 30, 2008	December 31, 2007
	(in thousands)	
Uncertain tax positions	$ 739	$ 732
Consulting agreement	354	365
Other	55	233
	$ 1,148	$ 1,330

Note 6. Comprehensive Income

The components of comprehensive income are as follows:

	For the Three Months Ended June 30,		For the Six Months Ended June 30,	
	2008	2007	2008	2007
	(in thousands)			
Net income	$ 312	$ 686	$ 632	$ 1,152
Amortization of previously unrecognized pension amounts	32	143	169	287
Total comprehensive income	$ 344	$ 829	$ 801	$ 1,439

Note 7. Earnings Per Share Information

The following table details the potential common shares excluded from the calculation of diluted earnings per share because their assumed proceeds were greater than the average market price for the period (in thousands, except per share amounts):

	For the Three Months Ended June 30,		For the Six Months Ended June 30,	
	2008	2007	2008	2007
Potential common shares excluded from the calculation of diluted earnings per share:				
Stock options	18	18	18	18
Weighted average price per share	$ 9.79	$ 9.79	$9.79	$9.79

Note 8. Commitments and Contingencies

Litigation

During the third quarter of 2004, Utica Mutual Insurance Company (Utica or 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 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 June 30, 2008 and December 31, 2007, no liabilities have been recorded for this matter.

Zapata is involved in litigation relating to claims arising out of its past and current operations in the normal course of business. Zapata maintains insurance coverage against such potential ordinary course claims in an amount in which it believes to be adequate. While the results of any ultimate resolution cannot be predicted, in the opinion of Zapata s 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 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 possible 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 Financial Accounting Standards Board (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 Statement of Financial Accounting Standards (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.

Additionally, in connection with the Company s sale to private institutional investors of a portion of our Omega shares in 2006, 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 be required to pay to the purchasers if Omega fails to continuously maintain a registration statement as effective throughout a specified term and certain other conditions are met. 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 June 30, 2008 and December 31, 2007, no liabilities have been recorded for these liquidated damages.

Table of Contents

Note 9. Qualified Defined Benefit Plans

Zapata has a noncontributory defined benefit pension plan (the Plan) covering certain U.S. employees. In 2005, Zapata Corporation s Board of Directors authorized a plan to freeze the 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.

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 2008.

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 June 30,		For the Six Months Ended June 30,	
	2008	2007	2008	2007
	(in thousands)			
Service cost	$	$	$	$
Interest cost	273	255	546	509
Expected return on plan assets	(379)	(373)	(758)	(746)
Amortization of previously unrecognized amounts	137	143	274	287
Net periodic pension cost	$ 31	$ 25	$ 62	$ 50

Note 10. Stock-Based Compensation

The consolidated condensed statements of operations for the three and six months ended June 30, 2007 included $4,000 and $9,000, respectively, of share-based compensation costs. The total income tax benefit recognized in the condensed consolidated statements of operations for share-based compensation arrangements was $0 and $1,000 for the three and six months ended June 30, 2007, respectively. The Company recorded no share-based compensation costs or associated income tax benefits for the three and six months ended June 30, 2008.

As of January 1, 2008, all stock-based compensation arrangements were fully vested, and therefore, there is no unrecognized compensation cost as of June 30, 2008. Based on current grants, total share-based compensation cost for fiscal year 2008 is expected to be zero.

Zapata Corporate

Zapata Corporate had no share-based grants during the six months ended June 30, 2008. A summary of option activity under the Zapata Corporate Plans as of June 30, 2008, and changes during the six months then ended is presented below:

	Shares	Weighted Average Exercise Price	Weighted Average Remaining Contractual Term	Aggregate Intrinsic Value (in thousands)
Outstanding at January 1, 2008	427,040	$ 5.12		
Granted				
Exercised				
Forfeited or expired				

Outstanding at June 30, 2008	427,040	$	5.12	4.4 years	$	850,000
Exercisable at June 30, 2008	427,040	$	5.12	4.4 years	$	850,000

Table of Contents

Zap.Com

Zap.Com had no share-based grants in the six months ended June 30, 2008. A summary of option activity under the Zap.Com Plan as of June 30, 2008, and changes during the six months then ended is presented below:

	Shares	Weighted Average Exercise Price	Weighted Average Remaining Contractual Term	Aggregate Intrinsic Value
Outstanding at January 1, 2008	511,300	$ 0.08		
Granted				
Exercised				
Forfeited or expired				
Outstanding at June 30, 2008	511,300	$ 0.08	1.3 years	$
Exercisable at June 30, 2008	511,300	$ 0.08	1.3 years	$

Note 11. Related Party Transactions

Zap.Com Corporation

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 and six months ended June 30, 2008 and 2007, approximately $3,000 and $7,000 respectively, was recorded as contributed capital for these services.

Omega Protein

In conjunction with the sale of Omega Protein shares back to Omega which closed on November 28, 2006, the Company may be required to reimburse Omega for liquidated damages it may be required to pay to the purchasers. See Note 3. Discontinued Operations Omega Protein in the Company s annual report on Form 10-K filed with the SEC on March 7, 2008 for additional information.

Note 12. Recently Issued Accounting Pronouncements

In December 2007, the FASB issued SFAS No. 141(R), Business Combinations , and SFAS No. 160, Noncontrolling Interests in Consolidated Financial Statements. SFAS No. 141(R) requires an acquirer to measure the identifiable assets acquired, the liabilities assumed and any noncontrolling interest in the acquiree at their fair values on the acquisition date, with goodwill being the excess value over the net identifiable assets acquired. SFAS No. 160 clarifies that a noncontrolling interest in a subsidiary should be reported as equity in the consolidated financial statements. The calculation of earnings per share will continue to be based on income amounts attributable to the parent. SFAS No. 141(R) and SFAS No. 160 are effective for financial statements issued for fiscal years beginning after December 15, 2008. Early adoption is prohibited. The Company is in the process of evaluating these standards and therefore has not yet determined the impact, if any, that the adoption of SFAS No. 141(R) or SFAS No. 160 will have on its financial position, results of operations or cash flows.

In February 2007, the FASB issued SFAS No. 159, The Fair Value Option for Financial Assets and Liabilities. SFAS 159 is effective as of the beginning of the first fiscal year beginning after November 15, 2007. This Statement provides entities with an option to report selected financial assets and liabilities at fair value, with the objective to reduce both the complexity in accounting for financial instruments and the volatility in earnings caused by measuring related assets and liabilities differently. The Company did not elect the fair value option under SFAS No. 159.

Table of Contents

In September 2006 the FASB issued SFAS 157, Fair Value Measurements. SFAS 157 provides enhanced guidance for using fair value to measure assets and liabilities. The standard also responds to investors requests for expanded information about the extent to which companies measure assets and liabilities at fair value, the information used to measure fair value and the effect of fair value measurements on earnings. SFAS 157 applies whenever other standards require or permit assets or liabilities to be measured at fair value. This standard does not expand the use of fair value in any new circumstances. SFAS 157 is effective for financial statements issued for fiscal years beginning after November 15, 2007 and interim periods within those fiscal years. On January 1, 2008, the Company adopted the provisions of SFAS 157 except as it relates to nonfinancial assets pursuant to FASB Staff Position (FSP) No. 157-2 as described below. The adoption of SFAS 157 did not have a material impact on the Company s 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 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 is in the process of evaluating the effect, if any, the adoption of FSP No. 157-2 will have on its financial position, results of operations or cash flows.

Note 13. Industry Segment and Geographic Information

The following summarizes certain financial information of each segment for the three months and six months ended June 30, 2008 and 2007 (in thousands):

	Revenues	Operating Loss	Total Assets	Depreciation and Amortization	Interest Income	Income Tax Benefit (Provision)
Three Months Ended June 30, 2008						
Corporate	$	$ (672)	$ 164,212	$	$ 856	$ 131
Zap.Com		(16)	1,626		8	
	$	$ (688)	$ 165,838	$	$ 864	$ 131
Three Months Ended June 30, 2007						
Corporate	$	$ (662)	$ 162,350	$ 2	$ 1,934	$ (592)
Zap.com		(49)	1,703		22	
	$	$ (711)	$ 164,053	$ 2	$ 1,956	$ (592)

	Revenues	Operating Loss	Total Assets	Depreciation and Amortization	Interest Income	Income Tax Provision
Six Months Ended June 30, 2008						
Corporate	$	$ (1,506)	$ 164,212	$	$ 2,321	$ (234)
Zap.Com		(46)	1,626		24	
	$	$ (1,552)	$ 165,838	$	$ 2,345	$ (234)

Six Months Ended June 30, 2007						
Corporate	$	$ (1,593)	$ 162,350	$ 3	$ 3,856	$ (1,113)
Zap.Com		(77)	1,703		44	
	$	$ (1,670)	$ 164,053	$ 3	$ 3,900	$ (1,113)

12

Table of Contents

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

Forward-looking statements in this Form 10-Q, future filings by the Company with the Securities and Exchange Commission (Commission), the Company s press releases and oral statements by authorized officers of the Company are intended to be subject to the safe harbor provisions of the Private Securities Litigation Reform Act of 1995. Investors are cautioned that all forward-looking statements involve risks and uncertainty, including without limitation those identified from time to time in press releases and other communications with stockholders by the Company and the filings made with the Commission by the Company, and by Zap.Com Corporation (Zap.Com), such as those disclosed under the caption Risk Factors appearing in Item 1A of Part II of this Report, and in Item 1A of the Company s Annual Report on Form 10-K for the fiscal year ended December 31, 2007. The Company believes that forward-looking statements made by it are based on reasonable expectations. However, no assurances can be given that actual results will not differ materially from those contained in such forward-looking statements. 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.

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 $154.3 million in consolidated cash, cash equivalents and short-term investments at June 30, 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.

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 Corporation (Omega Protein or Omega).

Zapata Corporate

Since the December 4, 2006 sale of its Omega shares, Zapata has held substantially all of its assets in cash, cash equivalents and U.S. Government agency securities, and has held no investment securities (as that term is defined in 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. However, as of the date of this Report, due to competitive pressures in the market and Zapata s limited funds (as compared to many competitors) available for such an acquisition, it has not consummated such a transaction. Based on the foregoing, Zapata believes that it is not an investment company under the Investment Company Act of 1940 (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.

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. 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

Table of Contents

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 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).

	Zapata Corporate	Zap.Com	Consolidated
Three Months Ended June 30, 2008			
Revenues	$	$	$
Cost of revenues			
Gross profit			
Operating expense:			
Selling, general and administrative	672	16	688
Operating loss	(672)	(16)	(688)
Other income			
Interest income	856	8	864
Other, net	4		4
	860	8	868
Income (loss) before income taxes and minority interest	188	(8)	180
Benefit for income taxes	131		131
Minority interest[(1)]	1		1
Net income (loss)	$ 320	$ (8)	$ 312
Basic and diluted income per share			$ 0.02

14

Table of Contents

	Zapata Corporate	Zap.Com	Consolidated
Three Months Ended June 30, 2007			
Revenues	$	$	$
Cost of revenues			
Gross profit			
Operating expense:			
Selling, general and administrative	662	49	711
Operating loss	(662)	(49)	(711)
Other income			
Interest income	1,934	22	1,956
Other, net	32		32
	1,966	22	1,988
Income (loss) before income taxes and minority interest	1,304	(27)	1,277
Provision for income taxes	(592)		(592)
Minority interest[(1)]		1	1
Net income (loss)	$ 712	$ (26)	$ 686
Basic and diluted net income per share			$ 0.04

	Zapata Corporate	Zap.Com	Consolidated
Six Months Ended June 30, 2008			
Revenues	$	$	$
Cost of revenues			
Gross profit			
Operating expense:			
Selling, general and administrative	1,506	46	1,552
Operating loss	(1,506)	(46)	(1,552)
Other income			
Interest income	2,321	24	2,345
Other, net	66	6	72

		2,387		30		2,417
Income (loss) before income taxes and minority interest		881		(16)		865
Provision for income taxes		(234)				(234)
Minority interest[1]		1				1
Net income (loss)	$	648	$	(16)	$	632
Basic and diluted income per share					$	0.03

Table of Contents

	Zapata Corporate	Zap.Com	Consolidated
Six Months Ended June 30, 2007			
Revenues	$	$	$
Cost of revenues			
Gross profit			
Operating expense:			
Selling, general and administrative	1,593	77	1,670
Operating loss	(1,593)	(77)	(1,670)
Other income Interest income	3,856	44	3,900
Other, net	34		34
	3,890	44	3,934
Income (loss) before income taxes and minority interest	2,297	(33)	2,264
Provision for income taxes	(1,113)		(1,113)
Minority interest[1]		1	1
Net income (loss)	$ 1,184	$ (32)	$ 1,152
Basic and diluted net income per share			$ 0.06

(1) Minority interest represents Zapata s minority stockholders interest in the net loss of Zap.com.

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

Three Months Ended June 30, 2008 and 2007

Zapata reported consolidated net income of $312,000 or $0.02 per diluted share for the three months ended June 30, 2008 as compared to $686,000 or $0.04 per diluted share for the three months ended June 30, 2007. The following is a more detailed discussion of Zapata s consolidated operating results:

Revenues. For the three months ended June 30, 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 three months ended June 30, 2008 and 2007, Zapata had no cost of revenues from continuing operations.

Selling, general and administrative. Consolidated selling, general, and administrative expenses (SG&A 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 June 30, 2008, SG&A expenses decreased $23,000 from $711,000 for the three months ended June 30, 2007 to $688,000 for the three months ended June 30, 2008. This decrease was a result of timing of the recognition of expenses between quarters.

Interest income. Consolidated interest income decreased $1.1 million from $2.0 million for the three months ended June 30, 2007 to $864,000 for the current quarter, resulting from lower interest rates on the Company s cash, cash equivalents and short-term investments. Due to recent market conditions and in an effort to preserve principal, the Company liquidated its U.S. Government agency securities in July 2008, and invested all of its funds into U.S. Treasury securities. On the date of liquidation, the Company realized a consolidated loss of approximately $90,000.

Table of Contents

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 $131,000 for the three months ended June 30, 2008 as compared to a provision of $592,000 for the comparable period of the prior year. On a consolidated basis, the change from provision for income taxes to benefit for income taxes was primarily attributable to the reversal of a previously recognized estimate of taxes on undistributed personal holding company income. This reversal was caused by a decrease in the Company s estimated interest income expected to be recognized for the remainder of the current year. Specifically, management anticipates that the Company s aforementioned purchase of U.S. Treasury securities combined with a general decline in interest rate yields available on investments will result in a decrease in interest income which will cause the Company to not have any personal holding company income tax due at year end.

Six months Ended June 30, 2008 and 2007

Zapata reported consolidated net income of $632,000 or $0.03 per diluted share for the six months ended June 30, 2008 as compared to $1.2 million or $0.06 per diluted share for the six months ended June 30, 2007. The following is a more detailed discussion of Zapata s consolidated operating results:

Revenues. For the six months ended June 30, 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 six months ended June 30, 2008 and 2007, Zapata had no cost of revenues from continuing operations.

Selling, general and administrative. Consolidated SG&A 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 six months ended June 30, 2008, SG&A expenses totaled $1.5 million and had decreased $118,000 from the comparable period of the prior year. This decrease was a result of timing of the recognition of expenses between periods.

Interest income. Consolidated interest income decreased $1.6 million from $3.9 million for the six months ended June 30, 2007 to $2.3 million for the current period, resulting from lower interest rates on the Company s cash, cash equivalents and short-term investments. Due to recent market conditions and in an effort to preserve principal, the Company liquidated its U.S. Government agency securities in July 2008, and invested all of its funds into U.S. Treasury securities. 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 provision for income taxes of $234,000 for the six months ended June 30, 2008 as compared to $1.1 million for the comparable period of the prior year. On a consolidated basis, the decrease in the provision for income taxes was primarily attributable to the fact that no accrual for a 15% tax on undistributed personal holding company income was required for the six months ended June 30, 2008 as was required for the same period ended June 30, 2007 and to a decrease in interest income recognized during the six months ended June 30, 2008 as compared to the comparable period in the prior year.

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.

Table of Contents

Zapata Corporate s liquidity needs are primarily for operating expenses, litigation and insurance costs. 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.

As of June 30, 2008, Zapata s consolidated contractual obligations and other commercial commitments have not changed materially from those set forth in its Annual Report on Form 10-K for the year ended December 31, 2007.

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. Prior to July 2008 when the Company began investing in U.S. Government Treasury securities, substantially all of Zapata s investments consisted of U.S. Government agency securities and cash equivalents. As of June 30, 2008 and December 31, 2007, Zapata Corporate had $154.3 million of cash, cash equivalents and short-term investments. During that six month period, the amount of interest payments received roughly equaled the amount of cash used by Zapata Corporate s operations.

Zapata management believes that, based on current levels of operations and anticipated growth, cash flow from operations, together with other available sources of funds, 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 or of the minority interest of controlled subsidiaries, 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 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):

Six Months Ended June 30, 2008	Zapata Corporate	Zap.Com	Consolidated
Cash provided by (used in)			
Operating activities	$ 128	$ (70)	$ 58
Investing activities	(136,955)	(1,526)	(138,481)
Net decrease in cash and cash equivalents	$ (136,827)	$ (1,596)	$ (138,423)

Six Months Ended June 30, 2007	Zapata Corporate	Zap.Com	Consolidated
Cash provided by (used in)			
Operating activities	$ 480	$ (25)	$ 455
Investing activities	(3,800)		(3,800)
Net decrease in cash and cash equivalents	$ (3,320)	$ (25)	$ (3,345)

Net cash provided by (used in) operating activities. For the six months ended June 30, 2008, the Company had $58,000 of consolidated cash provided by operating activities as compared to $455,000 for the prior comparable period. This change resulted primarily from decreased net income at Zapata Corporate as a result of lower interest income during the six months ended June 30, 2008 as compared to the comparable prior year period.

Table of Contents

Net cash used in investing activities. Consolidated cash used in investing activities was $138.5 million and $3.8 million for the six months ended June 30, 2008 and 2007, respectively. The increase resulted from the timing of the purchases and maturities of short-term investments at Zapata Corporate and Zap.Com. At June 30, 2008, the bulk of the Company s investments were classified as short-term, as compared to June 30, 2007 when the bulk of the Company s investments were classified as cash and cash equivalents. Changes in classification determine the amounts recorded as investing activities.

The Company had no cash flows from financing activities for the six months ended June 30, 2008 or 2007.

Recent Accounting Pronouncements

In December 2007, the Financial Accounting Standards Board (FASB) issued Statement of Financial Accounting Standard (SFAS) No. 141(R), Business Combinations , and SFAS No. 160, Noncontrolling Interests in Consolidated Financial Statements. SFAS No. 141(R) requires an acquirer to measure the identifiable assets acquired, the liabilities assumed and any noncontrolling interest in the acquiree at their fair values on the acquisition date, with goodwill being the excess value over the net identifiable assets acquired. SFAS No. 160 clarifies that a noncontrolling interest in a subsidiary should be reported as equity in the consolidated financial statements. The calculation of earnings per share will continue to be based on income amounts attributable to the parent. SFAS No. 141(R) and SFAS No. 160 are effective for financial statements issued for fiscal years beginning after December 15, 2008. Early adoption is prohibited. The Company is in the process of evaluating these standards and therefore has not yet determined the impact, if any, that the adoption of SFAS No. 141(R) or SFAS No. 160 will have on its financial position, results of operations or cash flows.

In February 2007, the FASB issued SFAS No. 159, The Fair Value Option for Financial Assets and Liabilities. SFAS 159 is effective as of the beginning of the first fiscal year beginning after November 15, 2007. This Statement provides entities with an option to report selected financial assets and liabilities at fair value, with the objective to reduce both the complexity in accounting for financial instruments and the volatility in earnings caused by measuring related assets and liabilities differently. The Company did not elect the fair value option under SFAS No. 159.

In September 2006 the FASB issued SFAS 157, Fair Value Measurements. SFAS 157 provides enhanced guidance for using fair value to measure assets and liabilities. The standard also responds to investors requests for expanded information about the extent to which companies measure assets and liabilities at fair value, the information used to measure fair value and the effect of fair value measurements on earnings. SFAS 157 applies whenever other standards require or permit assets or liabilities to be measured at fair value. This standard does not expand the use of fair value in any new circumstances. SFAS 157 is effective for financial statements issued for fiscal years beginning after November 15, 2007 and interim periods within those fiscal years. On January 1, 2008, the Company adopted the provisions of SFAS 157 except as it relates to nonfinancial assets pursuant to FASB Staff Position (FSP) No. 157-2 as described below. The adoption of SFAS 157 did not have a material impact on the Company s 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 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 is in the process of evaluating the effect, if any, the adoption of FSP No. 157-2 will have on its financial position, results of operations or cash flows.

Critical Accounting Policies and Estimates

As of June 30, 2008, 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, 2007.

Table of Contents

Item 3. 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 Treasury securities or Government agency obligations, certificates of deposit and money market deposits. Although the majority of the Company s consolidated investment grade securities constitute short-term U.S. Government Treasury securities as of July 2008, the Company may be exposed to interest rate risk related to its investments in such securities. Accordingly, changes in interest rates do 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. Using the investment grade security balance of $154.3 million at June 30, 2008 as a hypothetical constant cash balance, an adverse change in interest rates of 1% over a 3 month, 6 month and 12 month holding period would decrease interest income by the following:

	3 Month Holding Period	6 Month Holding Period	12 Month Holding Period
1%	$ 386,000	$ 772,000	$1.5 million

Item 4. Controls and Procedures

Evaluation of disclosure controls and procedures

An evaluation was performed under the supervision of the Company s management, including the Chief Executive Officer (CEO) and Chief Financial Officer (CFO), of the effectiveness of the design and operation of the Company s disclosure controls and procedures (as defined in Securities Exchange Act of 1934 (the Exchange Act) Rules 13a-15(e) and 15d-15(e)) as of the end of the period covered by this report. Based on that evaluation, the Company s management, including the CEO and CFO, concluded that, as of June 30, 2008, the Company s disclosure controls and procedures were effective to ensure that information we are required to disclose in reports that we file or submit under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the SEC s rules and forms.

Changes in Internal Controls 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 June 30, 2008. Based on that evaluation, the Company s management, including the CEO and CFO, concluded that no significant changes in the Company s internal controls over financial reporting occurred during the quarter ended June 30, 2008 that has materially affected or is reasonably likely to materially affect, the Company s internal control over financial reporting.

Notwithstanding the foregoing, there can be no assurance that the Company s disclosure controls and procedures will detect or uncover all failures of persons within the Company to disclose material information otherwise required to be set forth in the Company s periodic reports. There are inherent limitations to the effectiveness of any system of disclosure controls and procedures, including the possibility of human error and the circumvention or overriding of the controls and procedures. Accordingly, even effective disclosure controls and procedures can only provide reasonable, not absolute, assurance of achieving their control objectives.

PART II. OTHER INFORMATION

Item 1. Legal Proceedings

None.

Item 1A. Risk Factors

As of June 30, 2008, the Company s risk factors have not changed materially from the risk factors previously disclosed in the Company s Annual Report on Form 10-K for the year ended December 31, 2007.

Table of Contents

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

The Company held its Annual Meeting of Stockholders on June 17, 2008. The following are the results of the votes taken on the various matters presented to the Company s stockholders at the meeting.

All of the Board s nominees for directors were elected as follows:

Class I Directors: Term ending 2010	**For**	**Withhold**
Darcie S. Glazer	15,934,836	2,546,785
Bryan G. Glazer	15,936,836	2,544,785

There were no abstentions or broker non-votes.

The proposal to ratify the appointment of Deloite & Touche LLP as the independent registered public accounting firm was passed with the following vote:

For	**Against**	**Abstain**
18,066,478	405,885	9,258

Item 5. Other Information

None.

Item 6. Exhibits

(a) Exhibits

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.

Table of Contents

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: August 5, 2008

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