ZAPATA CORP
Form 10-Q
May 06, 2009

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 March 31, 2009

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 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 during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes o 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	Smaller reporting company þ

(Do not check if a smaller reporting company)

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

As of May 1, 2009, the Registrant had outstanding 19,276,334 shares of common stock, $0.01 par value.

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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)

	March 31, 2009	December 31, 2008
ASSETS		
Current assets:		
Cash and cash equivalents	$ 137,960	$ 142,694
Short-term investments	15,982	11,965
Other receivables	84	130
Prepaid expenses and other current assets	193	256
Total current assets	154,219	155,045
Other assets, net	9,290	8,987
Total assets	$ 163,509	$ 164,032
LIABILITIES AND EQUITY		
Current liabilities:		
Accounts payable	$ 116	$ 92
Accrued and other current liabilities	1,075	1,045
Total current liabilities	1,191	1,137
Pension liabilities	2,911	2,904
Other liabilities	1,145	1,144
Total liabilities	5,247	5,185
Commitments and contingencies (Note 6)		
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, $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	36,465	37,192
Treasury stock, at cost, 5,432,080 shares	(31,668)	(31,668)
Accumulated other comprehensive loss	(11,064)	(11,207)

Total Zapata Corporation stockholders equity	158,230	158,814
Noncontrolling interest	32	33
Total equity	158,262	158,847
Total liabilities and equity	$ 163,509	$ 164,032

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

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

	For the Three Months Ended March 31, 2009	For the Three Months Ended March 31, 2008
Revenues	$	$
Cost of revenues		
Gross profit		
Operating expense:		
General and administrative	1,200	865
Total operating expenses	1,200	865
Operating loss	(1,200)	(865)
Other income:		
Interest income	67	1,482
Other, net	32	68
	99	1,550
(Loss) income before income taxes	(1,101)	685
Benefit (provision) for income taxes	374	(365)
Net (loss) income	(727)	320
Net (loss) income attributable to noncontrolling interest		
Net (loss) income attributable to Zapata Corporation	$ (727)	$ 320
Net (loss) income per common share basic and diluted	$ (0.04)	$ 0.02
Weighted average common shares outstanding:		
Basic	19,276	19,276
Diluted	19,276	19,456

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

ZAPATA CORPORATION
UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(In thousands)

	For the Three Months Ended March 31,	
	2009	**2008**
Cash flows from operating activities:		
Net (loss) income attributable to Zapata Corporation	$ (727)	$ 320
Adjustments to reconcile net (loss) income to net cash (used in) provided by operating activities:		
Deferred income taxes	(382)	233
Changes in assets and liabilities:		
Other receivables	46	115
Prepaid expenses and other current assets	63	65
Other assets	216	14
Accounts payable	24	(66)
Pension liabilities	12	(10)
Accrued liabilities and other current liabilities	30	(65)
Other liabilities	1	
Net cash (used in) provided by operating activities	(717)	606
Cash flows from investing activities:		
Purchases of investments	(8,016)	(143,022)
Maturities of investments	3,999	3,800
Net cash used in investing activities	(4,017)	(139,222)
Net decrease in cash and cash equivalents	(4,734)	(138,616)
Cash and cash equivalents at beginning of period	142,694	139,251
Cash and cash equivalents at end of period	$ 137,960	$ 635

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 (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 2008 Annual Report on Form 10-K filed with the Securities and Exchange Commission and with the information presented by Zap.Com Corporation in their 2009 Annual Reports on Form 10-K. The results of operations for the three month period ended March 31, 2009 are not necessarily indicative of the results for any subsequent quarter or the entire fiscal year ending December 31, 2009.

Business Description

Zapata Corporation is a holding company which has approximately $153.9 million in consolidated cash, cash equivalents and short-term investments at March 31, 2009 and currently owns 98% of Zap.Com Corporation (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 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 the Financial Accounting Standards Board (FASB) Statement on Financial Accounting Standards (SFAS) No. 160, Noncontrolling Interests in Consolidated Financial Statements (SFAS 160) which changed the accounting and reporting for minority interests by recharacterizing them as noncontrolling interests and classifying them as a component of Equity in the consolidated balance sheets. As required by SFAS 160, the consolidated statement of operations includes Net income, which represents net income attributable to Zapata Corporation, 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. As required by SFAS 160, prior period amounts have been reclassified to conform with the requirements of the new standard.

Reclassification

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

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Note 2. 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 March 31, 2009 and December 31, 2008 consisted of the following:

	March 31, 2009 (in thousands)		
	Amortized Cost	Fair Market Value	Unrealized Loss
U.S. Treasury Bills	$ 137,896	$ 137,892	$ (4)
Treasury money market	4	4	
Checking accounts	70	70	
Total cash and cash equivalents	$ 137,970	$ 137,966	$ (4)

As of March 31, 2009, amortized cost included approximately $10,000 of accrued interest which was included within the Other Receivables caption on the Company s Condensed Consolidated Balance Sheet. Interest rates on the above ranged from 0% to 0.17% at March 31, 2009.

	December 31, 2008 (in thousands)		
	Amortized Cost	Fair Market Value	Unrealized Loss
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 included no accrued interest. Interest rates on the above ranged from -0.1% to 0% at December 31, 2008.

Note 3. Short-Term Investments

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

March 31, 2009 (in thousands)		
Amortized Cost	Fair Market Value	Unrealized Loss

U.S Treasury Notes	$ 7,977	$ 7,913	$ (64)
U.S Treasury Bills	8,023	8,018	(5)
Total short-term investments	$ 16,000	$ 15,931	$ (69)

As of March 31, 2009, amortized cost included approximately $18,000 of accrued interest which was included within the Other Receivables caption on the Company s Condensed Consolidated Balance Sheet. Interest on the above investments ranged between 0.36% and 2.05% at March 31, 2009.

	December 31, 2008 (in thousands)		
	Amortized Cost	Fair Market Value	Unrealized (Loss) Gain
U.S Treasury Notes	$ 8,071	$ 7,976	$ (95)
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 included approximately $137,000 of accrued interest which was included within the Other Receivables caption on the Company s Condensed Consolidated Balance Sheet. Interest on the above investments ranged between 1.70% and 2.05% at December 31, 2008.

Note 4. Comprehensive (Loss) Income

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

	For the Three Months Ended March 31,	
	2009	2008
	(in thousands)	
Net (loss) income	$ (727)	$ 320
Amortization of previously unrecognized pension amounts, net of tax effects	143	137
Total comprehensive (loss) income	(584)	457
Comprehensive (loss) income attributable to the noncontrolling interest		
Comprehensive (loss) income attributable to Zapata Corporation	$ (584)	$ 457

Note 5. 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 March 31,	
	2009	2008
Potential common shares excluded from the calculation of diluted earnings per share:		
Stock options	415	18
Weighted average price per share	$ 4.95	$ 9.79

Note 6. 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 recovery of approximately $760,000 on a general agreement of indemnity entered into by Zapata in the late 1970s. Subsequent to the Company s filing of a formal answer and issuance of a deposition notice, the suit remained largely dormant until

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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 March 31, 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, 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 claims and lawsuits regarding environmental matters in addition to those discussed above. Zapata s management believes that costs, if any, related to these matters will not have a material adverse effect on the Company s financial position, results of operations or cash flows.

Guarantees

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

Note 7. Qualified Defined Benefit Plans

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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 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 March 31, 2009	2008
	(in thousands)	
Service cost	$	$
Interest cost	275	273
Expected return on plan assets	(242)	(379)
Amortization of previously unrecognized amounts	220	137
Net periodic pension cost	$ 253	$ 31

Note 8. Stock-Based Compensation

As of January 1, 2008, all stock-based compensation arrangements were fully vested, and therefore, there is no unrecognized compensation cost as of March 31, 2009 or 2008. The consolidated condensed statements of operations for the three months ended March 31, 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 three months ended March 31, 2009. A summary of option activity under the Zapata Corporate Plans as of March 31, 2009, and changes during the three 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, 2009	427,040	$ 5.12		
Granted				
Exercised				
Forfeited or expired	12,000	$ 10.94		
Outstanding at March 31, 2009	415,040	$ 4.95	3.8 years	$ 594
Exercisable at March 31, 2009	415,040	$ 4.95	3.8 years	$ 594

Zap.Com

Zap.Com had no share-based grants in the three months ended March 31, 2009. A summary of option activity under the Zap.Com Plan as of March 31, 2009, and changes during the three months then ended is presented below:

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	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				
Outstanding at March 31, 2009	511,300	$ 0.08	0.6 years	$
Exercisable at March 31, 2009	511,300	$ 0.08	0.6 years	$

Note 9. 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 months ended March 31, 2009 and 2008, approximately $3,000 respectively, was recorded as contributed capital for these services.

Note 10. Recently Issued Accounting Pronouncements

In April 2009, the FASB issued FASB Staff Position SFAS 115-2 and SFAS 124-2, Recognition and Presentation of Other-Than-Temporary Impairments (FSP 115-2), which is effective for the Company for the quarterly period beginning April 1, 2009. FSP 115-2 amends existing guidance for determining whether an other than temporary impairment of debt securities has occurred. Among other changes, the FASB 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 Company has not determined the impact of the adoption of FSP 115-2 on its financial position, results of operation or cash flows.

Note 11. Industry Segment and Geographic Information

The following summarizes certain financial information of each segment for the three months ended March 31, 2009 and 2008 (in thousands):

	Revenues	Operating Loss	Total Assets	Depreciation and Amortization	Interest Income	Income Tax Benefit (Provision)
Three Months Ended March 31, 2009						
Corporate	$	$ (1,150)	$ 161,938	$	$ 67	$ 374
Zap.Com		(50)	1,571			
	$	$ (1,200)	$ 163,509	$	$ 67	$ 374
Three Months Ended March 31, 2008						

Corporate	$	$ (835)	$ 164,075	$	$ 1,466	$ (365)
Zap.Com		(30)	1,680		16	
	$	$ (865)	$ 165,755	$	$ 1,482	$ (365)

Note 12. Subsequent Event

During April 2009, the Company entered into a settlement agreement under a solvent scheme of arrangement with an insurer in the London market. Under the terms of the agreement, Zapata agreed to accept $225,000 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. As of the date of this filing, Zapata believes that the settlement amount will be paid during the second quarter of 2009.

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 Zapata Corporation (Zapata or 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, 2008. 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 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 $153.9 million in consolidated cash, cash equivalents and short-term investments at March 31, 2009 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.

Zapata Corporate

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

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

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

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

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

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

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

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 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.

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

Three Months Ended March 31, 2009	Zapata Corporate	Zap.Com	Consolidated
Revenues	$	$	$
Cost of revenues			
Gross profit			
Operating expense:			
Selling, general and administrative	1,150	50	1,200
Operating loss	(1,150)	(50)	(1,200)
Other income			
Interest income	67		67
Other, net	32		32
	99		99
Loss before provision for income taxes	(1,051)	(50)	(1,101)
Benefit for income taxes	374		374
Net loss	$ (677)	$ (50)	$ (727)
Basic and diluted loss per share			$ (0.04)

Three Months Ended March 31, 2008	Zapata Corporate	Zap.Com	Consolidated
Revenues	$	$	$
Cost of revenues			
Gross profit			
Operating expense:			
Selling, general and administrative	835	30	865
Operating loss	(835)	(30)	(865)
Other income			
Interest income	1,466	16	1,482
Other, net	62	6	68

		1,528		22		1,550
Income (loss) before provision for income taxes		693		(8)		685
Provision for income taxes		(365)				(365)
Net income (loss)	$	328	$	(8)	$	320
Basic and diluted income per share					$	0.02

For more information concerning segments, see Note 11 to the Company s Consolidated Financial Statements included in Item 1 of this Report.

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Three Months Ended March 31, 2009 and 2008

Zapata reported a consolidated net loss of $727,000 or $(0.04) per diluted share for the three months ended March 31, 2009 as compared to consolidated net income of $320,000 or $0.02 per diluted share for the three months ended March 31, 2008. On a consolidated basis, the change from net income to net loss resulted primarily from decreased interest income during the three months ended March 31, 2009 as compared to the three months ended March 31, 2008.

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

Revenues. For the three months ended March 31, 2009 and 2008, Zapata had no revenues. 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 March 31, 2009 and 2008, Zapata 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 March 31, 2009, general and administrative expenses totaled $1.2 million and had increased $335,000 from the prior comparable period primarily from an increase in actuarially determined pension expense of $222,000 and increases in professional fees of $82,000.

Interest income. Consolidated interest income decreased $1.4 million from $1.5 million for the three months ended March 31, 2008 to $67,000 for the current quarter, resulting from lower interest rates on the Company s cash, cash equivalents and short-term investments.

Income taxes. The Company recorded a consolidated benefit for income taxes of $374,000 for the three months ended March 31, 2009 as compared to a provision for income taxes of $365,000 for the comparable period of the prior year. The decrease in the provision for income taxes was primarily attributable to a decrease in interest income recognized during the quarter ended March 31, 2009 as compared to the comparable period in the prior year.

The Company s consolidated effective tax rate was 34% and 53% for the three months ended March 31, 2009 and 2008, respectively. The high effective rate recognized during the three months ended March 31, 2008 was primarily the result of Zapata Corporate s recognition of an anticipated 15% tax on undistributed personal holding company income, whereas the effective rate for the three months ended March 31, 2009 reflects that no anticipated tax for personal holding company income was recorded.

Liquidity and Capital Resources

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

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

As of March 31, 2009, 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, 2008.

Zapata Corporate s current source of liquidity is its cash, cash equivalents and short-term investments and the interest income it earns on these funds. Zapata expects these assets to continue to be a source of liquidity except to the extent that they may be used to fund the acquisition of operating businesses, funding of start-up proposals and possible stock repurchases. As of March 31, 2009, Zapata Corporate s cash, cash equivalents and short-term investments were $152.4 million as compared to $153.1 million as of December 31, 2008.

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

Off-Balance Sheet Arrangements

The Company and its subsidiaries do not have any off-balance sheet arrangements that are material to its financial position, results of operations or cash flows. The Company is a party to agreements with its officers, directors and to certain outside parties. For further discussion of these guarantees, see Note 9 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):

Three Months Ended March 31, 2009	**Zapata Corporate**	**Zap.Com**	**Consolidated**
Cash used in			
Operating activities	$ (691)	$ (26)	$ (717)
Investing activities	(4,017)		(4,017)
Net decrease in cash and cash equivalents	$ (4,708)	$ (26)	$ (4,734)

Three Months Ended March 31, 2008	**Zapata Corporate**	**Zap.Com**	**Consolidated**
Cash provided by (used in)			
Operating activities	$ 614	$ (8)	$ 606
Investing activities	(137,597)	(1,625)	(139,222)
Net decrease in cash and cash equivalents	$ (136,983)	$ (1,633)	$ (138,616)

Net cash (used in) provided by operating activities. Consolidated cash used in operating activities was $717,000 for the three months ended March 31, 2009 as compared to cash provided by operating activities of $606,000 for the three months ended March 31, 2008. The change from cash provided by operating activities to cash used in operating activities resulted from less interest income during 2009 as compared to 2008.

Net cash used in investing activities. Consolidated cash used in investing activities was $4.0 million and $139.2 million for the three months ended March 31, 2009 and 2008, respectively. This decrease resulted from fewer purchases and sales of short-term investments during the three months ended March 31, 2009 as compared to the similar period of the prior year.

The Company had no cash flows from financing activities for the three months ended March 31, 2009 or 2008.

Recent Accounting Pronouncements

In April 2009, the Financial Accounting Standards Board (FASB) issued FASB Staff Position Statement on Financial Accounting Standards (SFAS) 115-2 and SFAS 124-2, Recognition and Presentation of Other-Than-Temporary Impairments (FSP 115-2), which is effective for the Company for the quarterly period beginning April 1, 2009. FSP 115-2 amends existing guidance for determining whether an other than temporary impairment of debt securities has occurred. Among other changes, the FASB replaced the existing requirement that an entity s

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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 Company has not determined the impact of the adoption of FSP 115-2 on its financial statements.

Critical Accounting Policies and Estimates

As of March 31, 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 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 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 March 31, 2009, 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. 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, includes 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.

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 March 31, 2009. 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 March 31, 2009 that has materially affected or is reasonably likely to materially affect, the Company s internal control over financial reporting.

PART II. OTHER INFORMATION

Item 1. Legal Proceedings

None.

Item 1A. Risk Factors

As of March 31, 2009, 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, 2008.

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

None.

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.

* **Filed herewith.**

** **Furnished herewith.**

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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: May 6, 2009

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