FORM 10-Q

Quarterly report pursuant to sections 13 or 15(d)

Filing Date: **2001-08-03** | Period of Report: **2001-06-30**
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FILER

TRINET CORPORATE REALTY TRUST INC
CIK:**899162**| IRS No.: **943175659** | State of Incorp.:**MD** | Fiscal Year End: **1231**
Type: **10-Q** | Act: **34** | File No.: **001-11918** | Film No.: **1697733**
SIC: **6798** Real estate investment trusts

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<Page>

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

FORM 10-Q

(MARK ONE)

<Table>
<C> <S>
/X/ QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
</Table>

FOR THE QUARTERLY PERIOD ENDED JUNE 30, 2001

OR

<Table>
<C> <S>
/ / TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
</Table>

FOR THE TRANSITION PERIOD FROM ______________ TO ______________

COMMISSION FILE NUMBER 1-11918

TRINET CORPORATE REALTY TRUST, INC.
(Exact name of registrant as specified in its charter)

<Table>

<S>	<C>
MARYLAND	94-3175659
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification Number)
1114 AVENUE OF THE AMERICAS, 27TH FLOOR NEW YORK, NY	10036
(Address of principal executive offices)	(Zip Code)

</Table>

Registrant's telephone number, including area code: (212) 930-9400

Securities registered pursuant to Section 12(b) of the Act: NONE

Securities registered pursuant to Section 12(g) of the Act: NONE

Indicate by check mark whether the registrant (i) 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 (ii) has been subject to such filing requirements for the past 90 days. Yes /X/ No / /

As of July 31, 2001, there were 100 shares of Common Stock outstanding.

THE REGISTRANT MEETS THE CONDITIONS SET FORTH IN GENERAL INSTRUCTIONS I (1) (A) AND (B) OF FORM 10-Q AND IS THEREFORE FILING THIS FORM WITH REDUCED DISCLOSURE.

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TRINET CORPORATE REALTY TRUST, INC.

(A WHOLLY-OWNED SUBSIDIARY OF ISTAR FINANCIAL INC.)

INDEX TO FORM 10-Q

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PART I--CONSOLIDATED FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

TRINET CORPORATE REALTY TRUST, INC.

(A WHOLLY-OWNED SUBSIDIARY OF ISTAR FINANCIAL INC.)

CONSOLIDATED BALANCE SHEETS

(IN THOUSANDS, EXCEPT PER SHARE DATA)

(UNAUDITED)

	AS OF JUNE 30, 2001	AS OF DECEMBER 31, 2000
ASSETS		
Real estate subject to operating leases, net	$1,453,264	$1,486,049
Loans and other lending investments, net	74,795	90,796
Cash and cash equivalents	19,185	11,541
Restricted cash	63	7,032
Deferred operating lease income receivable	15,220	10,235
Deferred expenses and other assets	25,287	18,527
Total assets	$1,587,814	$1,624,180
LIABILITIES AND SHAREHOLDER'S EQUITY		
Liabilities:		
Accounts payable, accrued expenses and other liabilities	$ 41,034	$ 40,647
Debt obligations	645,008	668,342
Total liabilities	686,042	708,989
Minority interest in consolidated entities	2,564	2,565
Shareholder's equity:		

Common stock, $0.01 par value, 100 shares authorized: 100 shares issued and outstanding at June 30, 2001 and December 31, 2000, respectively	--	--
Additional paid in capital	890,271	890,271
Retained earnings	52,008	62,651
Accumulated other comprehensive income (losses) (See Note 3)	(2,775)	--
Common stock of iStar Financial held in treasury (at cost)	(40,296)	(40,296)
Total shareholder's equity	899,208	912,626
Total liabilities and shareholder's equity	$1,587,814	$1,624,180

</Table>

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

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TRINET CORPORATE REALTY TRUST, INC.

(A WHOLLY-OWNED SUBSIDIARY OF ISTAR FINANCIAL INC.)

CONSOLIDATED STATEMENTS OF OPERATIONS

(IN THOUSANDS)

(UNAUDITED)

<Table>
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	FOR THE THREE MONTHS ENDED JUNE 30,		FOR THE SIX MONTHS ENDED JUNE 30,	
	2001	2000	2001	2000
<S>	<C>	<C>	<C>	<C>
REVENUE:				
Operating lease income	$45,470	$43,500	$91,231	$86,050
Interest income	1,848	2,301	2,900	4,396
Other income	133	234	377	383
Total revenue	47,451	46,035	94,508	90,829
COSTS AND EXPENSES:				
Interest expense	11,360	12,972	23,841	26,783
Operating costs-corporate tenant lease assets	3,274	2,959	6,510	6,284
Depreciation and amortization	7,359	7,432	14,750	15,055
General and administrative	1,618	2,981	4,020	5,840
Total costs and expenses	23,611	26,344	49,121	53,962
Net income before minority interest, gain on sale of corporate tenant lease assets, extraordinary loss and cumulative effect of change in accounting principle	23,840	19,691	45,387	36,867
Minority interest in consolidated entities	(41)	(41)	(82)	(82)
Gain on sale of corporate tenant lease assets	1,044	441	1,599	974
Net income before extraordinary loss and cumulative effect of change in accounting principle	24,843	20,091	46,904	37,759
Extraordinary loss on early extinguishment of debt	--	--	(1,037)	(317)
Cumulative effect of change in accounting principle (See Note 3)	--	--	(269)	--
Net income	$24,843	$20,091	$45,598	$37,442

</Table>

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

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TRINET CORPORATE REALTY TRUST, INC.

(A WHOLLY-OWNED SUBSIDIARY OF ISTAR FINANCIAL INC.)

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDER'S EQUITY

FOR THE SIX MONTHS ENDED JUNE 30, 2001

(IN THOUSANDS)

<Table>

	ADDITIONAL PAID-IN CAPITAL	RETAINED EARNINGS	ACCUMULATED OTHER COMPREHENSIVE INCOME	TREASURY STOCK	TOTAL EQUITY
Balance at December 31, 2000	$890,271	$62,651	$ --	$(40,296)	$912,626
Dividends paid to iStar Financial	--	(59,000)	--	--	(59,000)
Dividends received on iStar Financial shares held in treasury	--	2,759	--	--	2,759
Net income for the period	--	45,598	--	--	45,598
Cumulative effect of change in accounting principle	--	--	(1,517)	--	(1,517)
Change in accumulated other comprehensive income	--	--	(1,258)	--	(1,258)
Balance at June 30, 2001	$890,271	$52,008	$(2,775)	$(40,296)	$899,208

</Table>

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

<Page>

TRINET CORPORATE REALTY TRUST, INC.

(A WHOLLY-OWNED SUBSIDIARY OF ISTAR FINANCIAL INC.)

CONSOLIDATED STATEMENTS OF CASH FLOWS

(IN THOUSANDS)

(UNAUDITED)

<Table>

	FOR THE THREE MONTHS ENDED JUNE 30, 2001	FOR THE THREE MONTHS ENDED JUNE 30, 2000	FOR THE SIX MONTHS ENDED JUNE 30, 2001	FOR THE SIX MONTHS ENDED JUNE 30, 2000
Cash flows from operating activities:				
Net income	$ 24,843	$ 20,091	$ 45,598	$ 37,442
Adjustments to reconcile net income to cash flows provided by operating activities:				
Minority interest	41	41	82	82
Depreciation and amortization	8,306	8,469	16,816	17,107
Amortization of discounts/premiums	(295)	(355)	(595)	(836)
Equity in earnings of unconsolidated joint ventures	(2,084)	(2,164)	(4,438)	(2,620)
Distributions from operating joint ventures	1,749	1,426	2,695	2,378
Deferred operating lease income adjustments	(2,407)	(2,249)	(4,983)	(4,531)
Gain on sale of corporate tenant lease assets	(1,044)	(441)	(1,599)	(974)
Extraordinary loss on early extinguishment of debt	--	--	1,037	317
Cumulative effect of change in accounting principle	--	--	269	--
Changes in assets and liabilities:				
Decrease (increase) in deferred expenses and other assets	533	584	(3,713)	(1,533)
(Decrease) increase in accounts payable, accrued expenses and other liabilities	(2,123)	952	(2,390)	(4,575)
Cash flows provided by operating activities	27,519	26,354	48,779	42,257
Cash flows from investing activities:				
New investment originations	(74,500)	(82,125)	(74,500)	(82,125)
Net proceeds from sale of corporate tenant lease assets	4,079	100,974	7,834	145,948
Repayments of and principal collections from loans and other lending investments	--	--	91,096	--
Investments in and advances to unconsolidated joint ventures	--	(11,136)	(150)	(11,804)
Distributions from unconsolidated joint ventures	--	--	24,265	--
Capital expenditures for build-to-suit activities	(4,772)	--	(6,419)	--
Capital improvement projects on real estate subject to operating leases	(2,083)	--	(2,083)	--
Other capital expenditures on real estate subject to operating leases	(813)	(1,224)	(1,572)	(3,082)
Cash flows provided by (used in) investing activities	(78,089)	6,489	38,471	48,937

Cash flows from financing activities:				
Net borrowings (repayments) under revolving credit facility	84,300	(22,900)	(20,450)	(65,000)
Borrowings under term loans	193,000	--	210,040	--
Repayments under term loans	(78,123)	(234)	(114,650)	(8,592)
Repayments of unsecured notes	(100,000)	--	(100,000)	--
Decrease (increase) in restricted cash held in connection with debt obligations	32	410	6,969	(565)
Distributions to minority interest in consolidated entities	(41)	(41)	(82)	(82)
Extraordinary loss on early extinguishment of debt	--	--	(1,037)	--
Payments for deferred financing costs	(3,369)	(25)	(4,155)	(25)
Purchase of iStar Financial (parent) shares held in treasury	--	--	--	(106)
Dividends paid to iStar Financial	(47,000)	(8,000)	(59,000)	(13,500)
Dividends received on iStar Financial shares held in treasury	1,394	1,359	2,759	2,647
Cash flows provided by (used in) financing activities	50,193	(29,431)	(79,606)	(85,223)
Increase (decrease) in cash and cash equivalents	(377)	3,412	7,644	5,971
Cash and cash equivalents at beginning of period	19,562	14,570	11,541	12,011
Cash and cash equivalents at end of period	$ 19,185	$ 17,982	$ 19,185	$ 17,982
Supplemental disclosure of cash flow information:				
Cash paid during the period for interest, net of amounts capitalized	$ 12,312	$ 10,841	$ 25,584	$ 25,706

</Table>

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

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TRINET CORPORATE REALTY TRUST, INC.

(A WHOLLY-OWNED SUBSIDIARY OF ISTAR FINANCIAL INC.)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1--ORGANIZATION AND BUSINESS

ORGANIZATION--TriNet Corporate Realty Trust, Inc., a Maryland Corporation, (the "Company"), became a wholly-owned subsidiary of iStar Financial Inc., a Maryland Corporation ("iStar Financial") through a merger on November 4, 1999. As a wholly-owned subsidiary of iStar Financial, a real estate investment trust ("REIT"), the Company intends to operate as a qualified real estate investment trust subsidiary ("QRS") under the Internal Revenue Code of 1986, as amended (the "Code").

BUSINESS--iStar Financial and its subsidiaries, including the Company, provide structured financing to private and corporate owners of real estate nationwide, including senior and junior mortgage debt, corporate mezzanine and subordinated capital, and corporate net lease financing. The Company typically provides capital by structuring purchase/leaseback transactions and acquiring corporate tenant lease assets subject to existing long-term net leases to creditworthy tenants. As of June 30, 2001, the Company's portfolio consisted of 140 facilities principally subject to net leases to approximately 150 customers, comprising 17.9 million square feet in 24 states. Of the 140 total facilities, there are 20 facilities held in three unconsolidated joint ventures. In addition, there are two facilities under development.

MERGER TRANSACTION--On November 3, 1999, the Company's stockholders and the shareholders of iStar Financial approved the merger of the Company with a wholly-owned subsidiary of iStar Financial. The shareholders of iStar Financial also approved: (1) the acquisition by iStar Financial, through a merger and contribution of interests, of 100% of the ownership interests in its external advisor; and (2) the change in form of its organization from a business trust to a corporation ("Incorporation Merger"). Pursuant to the merger, the Company merged with and into a subsidiary of iStar Financial, with the Company surviving as a wholly-owned subsidiary of iStar Financial. In the merger, each issued and outstanding share of the Company's common stock was converted into 1.15 shares of common stock of iStar Financial. Each issued and outstanding share of Series A, Series B and Series C Cumulative Redeemable Preferred Stock of the Company was converted into a share of Series B, Series C and Series D (respectively) Cumulative Redeemable Preferred Stock of iStar Financial. The iStar Financial preferred stock issued to the Company's former preferred stockholders has substantially the same terms as the Company's preferred stock, except that the new shares of Series B, C and D preferred stock have additional voting rights not associated with the Company's preferred stock. The holders of iStar Financial's Series A Preferred Shares received Series A Preferred Shares in the Incorporation Merger with the same rights and preferences as existed prior to the merger. The merger was structured as a tax-free reorganization under federal tax law.

These transactions were consummated as of November 4, 1999, at which time iStar Financial's single class of common shares began trading on the New York Stock Exchange under the symbol "SFI."

NOTE 2--BASIS OF PRESENTATION

The accompanying unaudited Consolidated Financial Statements have been prepared in conformity with the instructions to Form 10-Q and Article 10, Rule 10-01 of Regulation S-X for interim financial statements. Accordingly, they do not include all of the information and footnotes required by generally accepted accounting principles ("GAAP"). The Consolidated Financial Statements include the accounts of the Company, its wholly-owned subsidiary corporations and partnerships, and its majority-owned and controlled partnership. The Company has an investment in TriNet Management Operating Company, Inc. ("TMOC"), a taxable noncontrolled subsidiary of the Company, which is accounted for under the equity method. Further, certain other investments in partnerships or joint ventures which the Company does not

<Page>

NOTE 2--BASIS OF PRESENTATION (CONTINUED)
control are also accounted for under the equity method. All significant intercompany balances and transactions have been eliminated in consolidation.

In the opinion of management, the accompanying Consolidated Financial Statements contain all adjustments, consisting of normal recurring adjustments, necessary for a fair presentation of the Company's consolidated financial position at June 30, 2001 and December 31, 2000 and the results of its operations, changes in shareholder's equity and its cash flows for the three- and six-month periods ended June 30, 2001 and 2000, respectively. Such operating results are not necessarily indicative of the results that may be expected for any other interim periods or the entire year.

The merger was accounted for as a purchase of the Company by iStar Financial and the balance sheet of the Company on November 4, 1999 was adjusted to reflect the purchase price as required by Accounting Principles Board Opinion 16 ("APB 16"), "Accounting for Business Combinations." The purchase price was approximately $1.5 billion, which included the assumption of the outstanding preferred stock, debt and other liabilities of the Company. This purchase price was allocated to the net assets of the Company based on their relative fair values and resulted in no allocation to goodwill. In general, the recognition of straight-line operating lease revenue, depreciation, interest income and interest expense have been impacted by the new cost basis of the assets and liabilities on the balance sheet.

NOTE 3--SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

LOANS AND OTHER LENDING INVESTMENTS, NET--"Loans and Other Lending Investments," includes corporate/partnership loans/unsecured notes. In general, management considers its investments in this category as held-to-maturity and, accordingly, reflects such items at amortized historical cost.

REAL ESTATE SUBJECT TO OPERATING LEASES AND DEPRECIATION--Real estate subject to operating leases is generally recorded at cost. On November 4, 1999, the effective date of the merger, adjustments were made to increase the book value of corporate tenant lease assets in the aggregate to reflect iStar Financial's purchase price and to eliminate prior period accumulated depreciation. The June 30, 2001 balances reflect these adjustments. Certain improvements and replacements are capitalized when they extend the useful life, increase capacity or improve the efficiency of the asset. Repairs and maintenance items are expensed as incurred. The Company capitalizes interest costs incurred during the land development or construction period on qualified development projects, including investments in joint ventures accounted for under the equity method.

Real estate depreciation expense is computed using the straight-line method of cost recovery with an estimated remaining useful life of 40.0 years. Additionally, depreciation is computed using the straight-line method of cost recovery over the estimated useful lives of five years for furniture and equipment, the remaining lease term for tenant improvements, and the remaining life of the building for building improvements.

Real estate assets to be disposed of are reported at the lower of their carrying amount or fair value less cost to sell. The Company also periodically reviews long-lived assets to be held and used for an impairment in value whenever events or changes in circumstances indicate that the carrying amount of such assets may not be recoverable. In management's opinion, real estate assets to be held and used are not carried at amounts in excess of their estimated recoverable amounts.

NOTE 3--SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

CAPITALIZED INTEREST--The Company capitalizes interest costs incurred during the land development or construction period on qualified development projects, including investments in joint ventures accounted for under the equity method. Interest capitalized was approximately $487,000 and $338,000 during the six-month periods ended June 30, 2001 and 2000, respectively and was approximately $286,000 and $0 during the three-month periods ended June 30, 2001 and 2000, respectively.

CASH AND CASH EQUIVALENTS--Cash and cash equivalents include all cash held in banks or invested in money market funds with original maturity terms of less than 90 days.

RESTRICTED CASH--Restricted cash represents amounts required to be maintained in escrow under certain of the Company's debt obligations.

REVENUE RECOGNITION--Operating lease revenue is recognized on the straight-line method of accounting from the later of the date of the origination of the lease or the date of acquisition of the facility subject to existing leases. Accordingly, contractual lease payment increases are recognized evenly over the term of the lease. The cumulative difference between lease revenue recognized under this method and contractual lease payment terms is recorded as deferred operating lease income receivable on the balance sheet.

On November 4, 1999, the effective date of the merger, certain purchase accounting adjustments were made to eliminate the deferred operating lease income receivable. Additionally, for purposes of calculating the average lease rates over the remaining lives of the leases, the term of all leases in place at the time of the merger has been adjusted to reflect a new start date beginning November 4, 1999.

INCOME TAXES--For the periods ended June 30, 2001 and 2000, the Company will be taxed as a QRS under the Code. As a QRS, the Company is included in the consolidated tax return of iStar Financial. Accordingly, no provision has been made for federal income taxes in the accompanying consolidated financial statements. Prior to the merger, the Company was taxed as a REIT under the Code.

INTEREST RATE RISK MANAGEMENT--The Company has entered into various interest rate protection agreements that, together with a swap agreement, fix the interest rate on a portion of the Company's LIBOR-based borrowings. The related cost of these agreements is amortized over their respective lives and such amortization is recorded as interest expense. The Company enters into interest rate risk management arrangements with financial institutions meeting certain minimum financial criteria, and the related credit risk of non-performance by counterparties is not considered to be significant.

CONCENTRATION OF CREDIT RISK--The Company underwrites the credit of prospective customers and may require them to provide some form of credit support such as corporate guarantees or letters of credit. Although the Company's assets are geographically diverse and its customers operate in a variety of industries, to the extent the Company has a significant concentration of lease revenues from any single customer, the inability of that customer to make its lease payments could have an adverse effect on the Company.

RECLASSIFICATIONS--Certain prior year amounts have been reclassified in the Consolidated Financial Statements and the related notes to conform to the 2001 presentation.

USE OF ESTIMATES--The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported

NOTE 3--SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)
amounts of assets and liabilities and disclosure of contingent assets and liabilities at the dates of the financial statements and the reported amounts of revenues and expenses during the reporting periods. Actual results could differ from those estimates.

CHANGE IN ACCOUNTING PRINCIPLE--In June 1998, the FASB issued Statement of Financial Accounting Standards No. 133, "Accounting for Derivative Instruments and Hedging Activities" ("SFAS No. 133"). On June 23, 1999, the FASB voted to defer the effectiveness of SFAS No. 133 for one year. SFAS No. 133 is now effective for fiscal years beginning after June 15, 2000, but earlier application is permitted as of the beginning of any fiscal quarter subsequent to June 15, 1998. SFAS No. 133 establishes accounting and reporting standards for derivative financial instruments and hedging activities. It requires that an entity recognize all derivatives as either assets or liabilities in the statement of financial position and measure those instruments at fair value. If certain conditions are met, a derivative may be specifically designated as: (1) a hedge of the exposure to changes in the fair value of a recognized asset or liability or an unrecognized firm commitment; (2) a hedge of the exposure to variable cash flows of a forecasted transaction; or (3) in certain circumstances, a hedge of a foreign currency exposure. The Company adopted this pronouncement, as amended by Statement of Financial Accounting Standards No. 137 "Accounting for Derivative Instruments and Hedging Activities--deferral of the Effective Date of FASB Statement No. 133" and Statement of Financial Accounting Standards No. 138 "Accounting for Certain Derivative Instruments and Certain Hedging Activities--an Amendment of FASB Statement No. 133," on January 1, 2001. Because the Company has primarily used derivatives as cash flow hedges of interest rate risk only, the adoption of SFAS No. 133 did not have a material financial impact on the financial position and results of operations of the Company. However, should the Company change its current use of such derivatives, the adoption of SFAS No. 133 could have a more significant effect on the Company prospectively.

Total comprehensive income was $42.8 million and $37.4 million for the six-month periods ended June 30, 2001 and 2000, respectively, and $25.3 million and $20.1 million for the three-month periods ended June 2001 and 2000, respectively. The primary component of comprehensive income other than net income was the adoption of SFAS No. 133.

Upon adoption, the Company recognized a charge to net income of approximately $269,000 and an additional charge to other comprehensive income of approximately $1.5 million, representing the cumulative effect of change in accounting principle. For the three and six months ended June 30, 2001, the change in fair market value of the Company's interest rate swaps was $493,000 and $(1.3) million and was

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NOTE 3--SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)
recorded in other comprehensive income. The reconciliation to other comprehensive income is as follows (in thousands) (unaudited):

<Table>
<Caption>

	FOR THE THREE MONTHS ENDED JUNE 30,		FOR THE SIX MONTHS ENDED JUNE 30,	
	2001	2000	2001	2000
<S>	<C>	<C>	<C>	<C>
Net income	$24,843	$20,091	$45,598	$37,442
Other comprehensive income (loss):				
Unrealized gains (losses) on securities for the period	--	--	--	--
Cumulative effect of change in accounting principle (SFAS No. 133) on other comprehensive income	--	--	(1,517)	--
Unrealized derivative gains (losses) on cash flow hedges	493	--	(1,258)	--
Comprehensive income	$25,336	$20,091	$42,823	$37,442

</Table>

OTHER NEW ACCOUNTING STANDARDS--In December 1999, the Securities and Exchange Commission ("SEC") issued Staff Accounting Bulletin No. 101 ("SAB

101"), "Revenue Recognition in Financial Statements." In June 2000, the SEC staff amended SAB 101 to provide registrants with additional time to implement SAB 101. The Company has adopted SAB 101 in the fourth quarter of fiscal 2000. The adoption of SAB 101 did not have a material financial impact on the financial position or results of operations of the Company.

NOTE 4--REAL ESTATE SUBJECT TO OPERATING LEASES

The Company's investments in real estate subject to operating leases, at cost, were as follows (in thousands) (unaudited):

<Table>
<Caption>

	JUNE 30, 2001	DECEMBER 31, 2000
<S>	<C>	<C>
Buildings and improvements.........................	$1,131,071	$1,126,418
Land and land improvements.........................	317,380	318,412
Less: accumulated depreciation.....................	(45,798)	(31,764)
	1,402,653	1,413,066
Investments in unconsolidated joint ventures........	50,611	72,983
Real estate subject to operating leases, net......	1,453,264	$1,486,049

</Table>

The Company receives reimbursements from customers for certain operating expenses including common area costs, insurance and real estate taxes.

INVESTMENTS IN AND ADVANCES TO UNCONSOLIDATED JOINT VENTURES--At June 30, 2001, the Company had investments in four joint ventures: (1) TriNet Sunnyvale Partners, L.P. ("Sunnyvale"), whose external partners are John D. O'Donnell, Trustee, John W. Hopkins, and Donald S. Grant; (2) Corporate Technology Centre Associates LLC ("CTC I"), whose external member is Corporate Technology Centre Partners LLC; (3) Sierra Land Ventures ("Sierra"), whose external joint venture partner is Sierra-LC

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NOTE 4--REAL ESTATE SUBJECT TO OPERATING LEASES (CONTINUED)

Land, Ltd.; and (4) TriNet Milpitas Associates, LLC ("Milpitas"), whose external member is The Prudential Insurance Company of America. These ventures were formed for the purpose of operating, acquiring and, in certain cases, developing corporate tenant lease facilities. At June 30, 2001, all the facilities held by CTC II and TN-CP had been sold. In connection with this sale, the note receivable from the venture was modified to mature on December 31, 2001. At June 30, 2001, the note receivable and related accrued interest that were included in Loans and Other Lending Investments in December 31, 2000 were sold to the parent company for a cash payment of $30.1 million, equal to the outstanding principal balance and accrued interest on the note.

Subsequent to November 4, 1999, the Company's equity and notes receivable investments in joint ventures have been adjusted to reflect the impact of the required APB 16 purchase accounting adjustments resulting from the merger. The Company's share of joint venture income and interest income are recorded on an historical basis through November 3, 1999, and for the period from November 4, 1999 through December 31, 1999, joint venture income and interest income include the required purchase accounting adjustments.

At June 30, 2001, the ventures comprised 20 net leased facilities. Additionally, 17.7 acres of land are held for sale. The Company's combined investment in these joint ventures at June 30, 2001 was $50.6 million. The joint ventures' purchase price for the 20 facilities owned at June 30, 2001 was $301.2 million. The purchase price of the land held for sale was $6.8 million. In the aggregate, the joint ventures had total assets of $338.4 million and total liabilities of $246.6 million as of June 30, 2001, and net income of $4.2 million and $7.6 million for the three and six months ended June 30, 2001. The Company accounts for these investments under the equity method because its joint venture partners have certain participating rights which limit the Company's control. The Company's investments in and advances to unconsolidated joint ventures, its percentage ownership interests, its respective income and pro rata share of its ventures' third-party debt as of June 30, 2001 are presented below (in thousands) (unaudited):

<Table>

<Caption>

UNCONSOLIDATED JOINT VENTURE	OWNERSHIP %	EQUITY INVESTMENT	JOINT VENTURE INCOME	PRO RATA SHARE OF THIRD PARTY DEBT
<S>	<C>	<C>	<C>	<C>
Operating:				
Sunnyvale	44.7%	$12,208	$ 218	$ 10,728
CTC I	50.0%	10,226	2,051	60,838
Milpitas	50.0%	24,398	2,021	40,385
Development:				
Sierra	50.0%	3,779	148	724
Total		$50,611	$4,438	$112,675

</Table>

Effective September 29, 2000, iStar Sunnyvale Partners, LP (the entity which is controlled by Sunnyvale) entered into an interest rate cap agreement with Bear Stearns Financial Products, limiting the venture's exposure to interest rate movements on its $24.0 million LIBOR-based mortgage loan to an interest rate cap of 9.0% through November 9, 2003.

Currently, the limited partners of the Sunnyvale partnership have the option to convert their partnership interest into cash; however, the Company may elect to deliver 297,728 shares of common stock

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of iStar Financial in lieu of cash. Additionally, commencing in February 2002, subject to acceleration under certain circumstances, the venture interest held by the external member of Milpitas may be converted into 984,476 shares of common stock of iStar Financial.

Income generated from the above joint venture investments is included in Operating Lease Income in the Consolidated Statements of Operations.

NOTE 5--DEBT OBLIGATIONS

The table below summarizes the contract amount, the carrying value, the contract interest rate and the effective interest rate on the various debt instruments as of June 30, 2001 and December 31, 2000, (in thousands) (unaudited). The carrying value represents the debt balance after taking into consideration the discounts or premiums. The effective interest rate represents the estimated market interest rate as of the merger date for similar term debt instruments.

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<Caption>

	MAXIMUM AMOUNT AVAILABLE	CARRYING VALUE AS OF JUNE 30, 2001	CARRYING VALUE AS OF DECEMBER 31, 2000	STATED INTEREST RATES	EFFECTIVE INTEREST RATES	SCHEDULED MATURITY DATE
<S>	<C>	<C>	<C>	<C>	<C>	<C>
UNSECURED REVOLVING CREDIT FACILITY:						
Line of credit	$350,000	$153,000	$173,450	LIBOR + 1.55%	LIBOR + 1.55%	May 2002 (1)
NON-RECOURSE SECURED TERM LOANS:						
Secured by real estate under operating leases		--	77,860	LIBOR + 1.38%	LIBOR + 2.50%	June 2001
Secured by real estate under operating leases		--	36,296	LIBOR + 1.00%	LIBOR + 1.00%	December 2004
Secured by real estate under operating leases		193,000	--	LIBOR + 1.85%	LIBOR + 1.85%	July 2006 (2)
Secured by real estate under operating leases		40,720	24,175	6.00%-11.38%	7.29%-8.50%	Various through 2011
		233,720	138,331			

Plus: debt premium.......	379	51			
Total secured term loans...	234,099	138,382			
UNSECURED NOTES (3):					
6.75% Dealer Remarketable Securities (4).........	125,000	125,000	6.75%	8.81%	March 2013
7.30% Notes.............	--	100,000	7.30%	8.75%	May 2001
7.70% Notes.............	100,000	100,000	7.70%	9.51%	July 2017
7.95% Notes.............	50,000	50,000	7.95%	9.04%	May 2006
Total unsecured notes......	275,000	375,000			
Less: debt discount......	(17,091)	(18,490)			
TOTAL UNSECURED NOTES......	257,909	356,510			
TOTAL DEBT OBLIGATIONS.....	$645,008	$668,342			

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NOTE 5--DEBT OBLIGATIONS (CONTINUED)
EXPLANATORY NOTES:

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(1) Subsequent to June 30, 2001, the Company replaced this facility with a new $300.0 million revolving credit facility at iStar Financial. This facility bears interest at LIBOR + 2.125%. The new facility has an initial maturity of July 2003 with a one-year extension at iStar Financial's option and another one-year extension at the lenders' option.

(2) On June 14, 2001, the Company closed $193.0 million of financing secured by 15 corporate tenant lease assets. The three-year floating rate loan bears interest at LIBOR plus 1.85% (not to exceed 10.00%) and has two one-year extensions at the Company's option (maturity date reflects extensions).

(3) The notes are callable by the Company at any time for an amount equal to the total of principal outstanding, accrued interest and the applicable make-whole prepayment premium.

(4) Subject to mandatory tender on March 1, 2003 to either the dealer or the Company. The initial coupon of 6.75% applies to first five-year term through the mandatory tender date. If tendered to the dealer, the notes must be remarketed. The rates reset upon remarketing.

On May 15, 2001, the Company repaid its $100.0 million 7.30% unsecured notes. These notes were senior unsecured obligations of the Company and ranked equally with the Company's other senior unsecured and unsubordinated indebtedness.

On June 14, 2001, the Company closed $193.0 million of financing secured by 15 corporate tenant lease assets. The three-year floating-rate loan bears interest at LIBOR plus 1.85% (not to exceed 10.00%) and has two one-year extensions at the Company's option. The Company used these proceeds to repay a $77.8 million secured term loan maturing in June 2001 and to pay down a portion of its revolving credit facilities.

On July 27, 2001, the Company repaid the unsecured revolving credit facility. iStar Financial replaced this facility with a $300.0 million revolving credit facility with a group of leading financial institutions. The new facility has an initial maturity of July 2003, with a one-year extension at iStar Financial's option and another one-year extension at the lenders' option. The facility bears interest at LIBOR + 2.125%.

The 30-day LIBOR rate as of June 30, 2001 was 3.86%. The Company has entered into an interest rate swap agreement which, together with an existing LIBOR interest rate cap agreement struck at 7.75%, effectively fixes the interest rate on $75.0 million of the Company's LIBOR-based borrowings at 5.58% plus the applicable margin through December 1, 2004. The actual borrowing cost to the Company with respect to indebtedness covered by the protection agreements will depend upon the applicable margin over LIBOR for such indebtedness, which will be determined by the terms of the relevant debt instruments.

The Company has also entered into a LIBOR interest rate cap struck at 7.75% in the notional amount of $35.0 million, which expires in December 2004. In June 2001, a LIBOR interest rate cap struck at 7.50%, with a notional amount of

$75.0 million, matured.

UNSECURED REVOLVING CREDIT FACILITY--On February 22, 2001, the Company extended the maturity of its $350.0 million unsecured revolving credit facility to May 2002. Borrowing rates under the facility were based on the Company's credit ratings. All of the available commitment under the credit facility could be borrowed for general corporate and working capital needs, as well as for investment purposes. The credit facility required interest-only payments until maturity, at which time outstanding borrowings were due and payable.

NOTE 5--DEBT OBLIGATIONS (CONTINUED)

As of June 30, 2001, future maturities of outstanding long-term debt and mortgages stated in terms of the contractual obligation are as follows (in thousands) (unaudited):

2001 (remaining six months)	$ --
2002	167,807
2003	--
2004	--
2005	3,625
Thereafter	490,288
Total principal maturities	661,720
Net unamortized debt discounts	(16,712)
Total debt obligations	$645,008

The following table sets forth the components of interest expense for the periods presented (in thousands) (unaudited):

	FOR THE THREE MONTHS ENDED JUNE 30,		FOR THE SIX MONTHS ENDED JUNE 30,	
	2001	2000	2001	2000
Interest incurred	$10,572	$11,930	$22,159	$25,064
Amortization of loan costs, interest rate protection agreements, and loan discounts	1,074	1,042	2,169	2,057
Less: capitalized interest	(286)	--	(487)	(338)
	$11,360	$12,972	$23,841	$26,783

NOTE 6--COMMITMENTS AND CONTINGENCIES

The Company is subject to expansion option agreements with three existing customers which could require the Company to fund and to construct up to 166,000 square feet of additional adjacent space on which the Company would receive additional lease revenue under the terms of the option agreements.

NOTE 7--SUBSEQUENT EVENTS

On July 27, 2001, the Company repaid the unsecured revolving credit facility. In addition, subsequent to quarter end, corporate tenant lease assets with a book value of $269.5 million were transferred to iStar Financial.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

GENERAL

As a wholly-owned subsidiary of iStar Financial, the Company specializes in providing investment capital to major corporations and real estate owners nationwide by structuring purchase/leaseback transactions and acquiring corporate tenant lease assets subject to existing long-term leases to creditworthy customers occupying office and industrial facilities. The Company uses its corporate credit and real estate underwriting expertise to structure investments that it believes will generate attractive risk-adjusted returns. As of June 30, 2001, the Company's portfolio consisted of 140 facilities principally subject to net leases to approximately 150 customers, comprising 17.9 million square feet in 24 states. Of the 140 total facilities, there are 20 facilities held in three joint venture partnerships. In addition, there are two facilities under development.

On November 3, 1999, consistent with previously announced terms, the Company's stockholders and the shareholders of iStar Financial approved the merger of the Company with a wholly-owned subsidiary of iStar Financial. In the merger, each issued and outstanding share of the Company's common stock was converted into 1.15 shares of common stock of iStar Financial. Each issued and outstanding share of Series A, Series B and Series C Cumulative Redeemable Preferred Stock of the Company was converted into a share of Series B, Series C and Series D (respectively) Cumulative Redeemable Preferred Stock of iStar Financial. The iStar Financial preferred stock issued to the Company's former preferred stockholders have substantially the same terms as the Company's preferred stock, except that the new shares of Series B, C and D preferred stock have additional voting rights not associated with the Company's preferred stock. The holders of iStar Financial's Series A Preferred Stock received Series A Preferred Stock in the Incorporation Merger with the same rights and preferences as existed prior to the merger. The merger was structured as a tax-free reorganization under federal tax law.

These transactions were consummated as of November 4, 1999, at which time iStar Financial's single class of common shares began trading on the New York Stock Exchange under the symbol "SFI."

The merger was accounted for as a purchase of the Company by iStar Financial and the balance sheet of the Company on November 4, 1999 was adjusted to reflect the purchase price as required by Accounting Principles Board Opinion 16 ("APB 16"), "Accounting for Business Combinations." The purchase price was approximately $1.5 billion, which included the assumption of the outstanding preferred stock, debt and other liabilities of the Company. This purchase price was allocated to the assets and liabilities of the Company based on their relative fair values and resulted in no allocation to goodwill.

The following discussion of the results of operation will focus on comparisons between the three- and six-month periods ended June 30, 2001 compared to the three- and six-month periods ended June 30, 2000.

RESULTS OF OPERATIONS

THREE-MONTH PERIOD ENDED JUNE 30, 2001 COMPARED TO THE THREE-MONTH PERIOD ENDED JUNE 30, 2000

OPERATING LEASE INCOME--Operating lease income increased to $45.5 million for the three months ended June 30, 2001 from $43.5 million for the same period in 2000. Of this increase, $1.3 million was attributable to new corporate tenant lease investments and $3.6 million to additional operating lease income from existing corporate tenant lease investments owned in both quarters. These increases in operating lease income from assets owned were partially offset by a $2.9 million decrease in operating lease income resulting from asset dispositions made in 2000 and 2001.

INTEREST INCOME--Interest income decreased to $1.8 million for the three months ended June 30, 2001 from $2.3 million for the same period in 2000. The decrease is primarily due to the reduction of interest income and discount amortization from a loan transferred to the parent for cash in the first quarter of

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2001. Additionally, interest income decreased due to the exercise of a convertible mortgage option in the third quarter 2000 and decreased cash balances. These transactions resulted in a decrease of $1.9 million in interest income. This decrease was partially offset by $1.6 million of interest income earned in second quarter 2001 on newly-originated loan investments.

INTEREST EXPENSE--For the three months ended June 30, 2001, interest expense decreased by $1.6 million to $11.4 million, from $13.0 million for the same period in 2000. This decrease is primarily the result of repayments of debt and lower average aggregate borrowing by the Company on its credit facilities in the second quarter 2001. In addition, the decrease is a result of the Company replacing fixed-rate debt with floating-rate debt, which bore a lower average interest rate. These decreases were offset by new term borrowings in 2001.

OPERATING COSTS-CORPORATE TENANT LEASE ASSETS--For the three months ended June 30, 2001, operating costs increased by approximately $315,000 to

$3.3 million, from $3.0 million for the same period in 2000. This increase is primarily due to an increase in unreimbursed operating expenses associated with corporate tenant lease assets.

DEPRECIATION AND AMORTIZATION--Depreciation and amortization decreased approximately $74,000 for the three months ended June 30, 2001 over the same period in the prior year. This decrease is primarily the result of corporate tenant lease dispositions in 2000 and 2001, partially offset by additional depreciation on capital investments.

GENERAL AND ADMINISTRATIVE--For the three months ended June 30, 2001, general and administrative expenses decreased by $1.4 million to $1.6 million, compared to $3.0 million for the same period in 2000. This decrease is primarily a result of a reduction in personnel and related overhead costs in 2001 as compared to 2000.

GAIN ON SALE OF CORPORATE TENANT LEASE ASSETS--On April 18, 2001, the Company disposed of one corporate tenant lease asset for total proceeds of $4.5 million, and recognized a gain of approximately $1.0 million.

During the second quarter of 2000, the Company disposed of three assets for total proceeds of $102.3 million, and recognized gains of approximately $440,000.

SIX-MONTH PERIOD ENDED JUNE 30, 2001 COMPARED TO THE SIX-MONTH PERIOD ENDED JUNE 30, 2000

OPERATING LEASE INCOME--Operating lease income increased to $91.2 million for the six months ended June 30, 2001 from $86.0 million for the same period in 2000. Of this increase, $2.7 million was attributable to new corporate tenant lease investments and $7.4 million to additional operating lease income from existing corporate tenant lease investments owned in both quarters. In addition, joint venture income contributed $1.8 million to the increase. These increases in operating lease income from assets owned were partially offset by a $6.7 million decrease in operating lease income resulting from asset dispositions made in 2000 and 2001.

INTEREST INCOME--Interest income decreased to $2.9 million for the six months ended June 30, 2001 from $4.4 million for the same period in 2000. The decrease is primarily due to the reduction of interest income from a loan transferred to the parent for cash in the first quarter of 2001. Additionally, interest income decreased due to the exercise of a convertible mortgage option in the third quarter 2000. These transactions resulted in a decrease of $3.7 million in interest income. This decrease was partially offset by $2.2 million of interest income earned in second quarter 2001 on newly-originated loan investments.

INTEREST EXPENSE--For the six months ended June 30, 2001, interest expense decreased by $3.0 million to $23.8 million from $26.8 million for the same period in 2000. This decrease is primarily the result of repayments of debt and lower average aggregate borrowing by the Company on its credit facilities. In

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addition, the decrease is a result of the Company replacing fixed-rate debt with floating-rate debt, which bore a lower average interest rate. These decreases were offset by new term loans in 2001.

OPERATING COSTS-CORPORATE TENANT LEASE ASSETS--For the six months ended June 30, 2001, operating costs increased by approximately $226,000 to $6.5 million, from $6.3 million for the same period in 2000. This increase is primarily due to an increase in unreimbursed operating expenses associated with corporate tenant lease assets. The increase is partially offset by a reduction of general and administrative costs related to the facilities.

DEPRECIATION AND AMORTIZATION--Depreciation and amortization decreased approximately $305,000 for the six months ended June 30, 2001 over the same period in the prior year. This decrease is primarily the result of corporate tenant lease dispositions in 2000 and 2001, partially offset by additional depreciation on capital investments.

GENERAL AND ADMINISTRATIVE--For the six months ended June 30, 2001, general and administrative expenses decreased by $1.8 million to $4.0 million, compared to $5.8 million for the same period in 2000. This decrease is primarily a result of a reduction in personnel and related overhead costs in 2001 as compared to 2000.

GAIN ON SALE OF CORPORATE TENANT LEASE ASSETS--During the six months ended June 30, 2001, the Company disposed of two corporate tenant lease assets for total proceeds of $8.4 million, and recognized gains of approximately $1.6 million.

During the six months ended June 30, 2000, the Company disposed of five assets for total proceeds of $148.3 million, and recognized gains of approximately $974,000.

EXTRAORDINARY LOSS ON EARLY EXTINGUISHMENT OF DEBT--During the six months ended June 30, 2001, the Company repaid a secured term loan which had an original maturity date of December 2004. In connection with this early repayment, the Company incurred certain prepayment penalties, which resulted in an extraordinary loss of approximately $1.0 million on early extinguishment of debt during the first quarter of 2001.

During the first quarter of 2000, certain of the proceeds from an asset disposition were used to partially repay $8.1 million of a secured term loan. In connection with this partial paydown, the Company incurred certain prepayment penalties, which resulted in an extraordinary loss on early extinguishment of debt of $317,000.

FORWARD-LOOKING STATEMENTS

When used in this Form 10-Q, in future SEC filings or in press releases or other written or oral communications, the words or phrases "will likely result," "are expected to," "will continue," "is anticipated," "estimate," "project" or similar expressions are intended to identify "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995. The Company cautions that such forward-looking statements speak only as of the date made and that various factors including regional and national economic conditions, changes in levels of market interest rates, credit and other risks of lending and investment activities, and competitive and regulatory factors could affect the Company's financial performance and could cause actual results for future periods to differ materially from those anticipated or projected.

The Company does not undertake and specifically disclaims any obligation to update any forward-looking statements to reflect events or circumstances after the date of such statements except as required by law.

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PART II. OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

None.

ITEM 2. CHANGES IN SECURITIES AND USE OF PROCEEDS

Omitted pursuant to General Instruction H (2) of Form 10-Q.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

Omitted pursuant to General Instruction H (2) of Form 10-Q.

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

Omitted pursuant to General Instruction H (2) of Form 10-Q.

ITEM 5. OTHER INFORMATION

None.

ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K

A. EXHIBITS

None.

B. REPORTS ON FORM 8-K

None.

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SIGNATURES

Pursuant to the requirements of the Securities and Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

<Table>

<S>	<C>
	TRINET CORPORATE REALTY TRUST, INC.
	REGISTRANT
Date: August 3, 2001	/s/ JAY SUGARMAN

CHAIRMAN OF THE BOARD DIRECTORS AND
CHIEF EXECUTIVE OFFICER

Date: August 3, 2001

/s/ SPENCER B. HABER

PRESIDENT, CHIEF FINANCIAL OFFICER, DIRECTOR
AND SECRETARY

</Table>