

MORGAN STANLEY MUNICIPAL INCOME OPPORTUNITIES TRUST  
Form N-CSR  
August 11, 2008

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

FORM N-CSR

CERTIFIED SHAREHOLDER REPORT OF REGISTERED  
MANAGEMENT INVESTMENT COMPANIES

Investment Company Act file number: 811-05597

Morgan Stanley Municipal Income Opportunities Trust  
(Exact name of registrant as specified in charter)

522 Fifth Avenue, New York, New York  
(Address of principal executive offices)

10036  
(Zip code)

Ronald E. Robison  
522 Fifth Avenue, New York, New York 10036  
(Name and address of agent for service)

Registrant's telephone number, including area code: 212-296-6990

Date of fiscal year end: May 31, 2008

Date of reporting period: May 31, 2008

Item 1 - Report to Shareholders

Welcome, Shareholder:

In this report, you'll learn about how your investment in Morgan Stanley Municipal Income Opportunities Trust performed during the annual period. We will provide an overview of the market conditions, and discuss some of the factors that affected performance during the reporting period. In addition, this report includes the Fund's financial statements and a list of Fund investments.

MARKET FORECASTS PROVIDED IN THIS REPORT MAY NOT NECESSARILY COME TO PASS. THERE IS NO ASSURANCE THAT THE FUND WILL ACHIEVE ITS INVESTMENT OBJECTIVE. THE FUND IS SUBJECT TO MARKET RISK, WHICH IS THE POSSIBILITY THAT MARKET VALUES OF SECURITIES OWNED BY THE FUND WILL DECLINE AND, THEREFORE, THE VALUE OF THE FUND'S SHARES MAY BE LESS THAN WHAT YOU PAID FOR THEM. ACCORDINGLY, YOU CAN LOSE MONEY INVESTING IN THIS FUND.

INCOME EARNED BY CERTAIN SECURITIES IN THE PORTFOLIO MAY BE SUBJECT TO THE FEDERAL ALTERNATIVE MINIMUM TAX (AMT).

FUND REPORT

For the year ended May 31, 2008

MARKET CONDITIONS

The fiscal reporting year was an extremely volatile period for the municipal bond market, as well as all other sectors of the financial markets. The accelerating decline in the residential housing market, fallout from the subprime mortgage market collapse, and subsequent liquidity and credit contraction created a very challenging environment. At the same time, recessionary fears began to emerge as gross domestic product (GDP) growth measured just 0.6 percent in the fourth quarter of 2007 and, based on preliminary data, 0.9 percent in the first quarter of 2008.

The Federal Reserve (the "Fed") took various steps to ease the liquidity crisis and boost the economy during the period. Not only did the Fed reduce the target federal funds rate from 5.25 percent to 2.00 percent by the end of the period, but in an unprecedented move, it granted primary brokerage firms access to its discount window and loosened its collateral requirements, extending loans of Treasury securities in exchange for lower quality, less liquid securities. Finally, in the biggest headline event, the Fed arranged and supported JPMorgan Chase's purchase of Bear Stearns, which was viewed by many as necessary to avoid serious market repercussions had the firm failed.

Despite the Fed's efforts, however, the market remained turbulent and investor confidence waned, fueling a prolonged flight to quality that led Treasury securities to outperform all other sectors of the fixed income market. Although municipal market performance improved late in the period, as cross-over buyers began to recognize the value municipal bonds offered, the municipal sector still lagged Treasuries for the overall reporting year. As a result, over the course of the 12-month reporting period, the 30-year municipal-to-Treasury ratio, which measures the relative attractiveness of these two sectors, rose from 85 percent to 96 percent, indicating that municipals underperformed Treasuries while at the same time becoming cheaper (i.e., more attractive) on a relative basis. The high yield segment of the market in particular struggled as investors shunned these riskier assets in favor of higher quality securities. This caused spreads on high yield municipals to widen from approximately 116 basis points at the beginning of the reporting period to 293 basis points as of the end of May.

Yields on intermediate-to-long maturity municipal bonds increased over the course of the reporting year. Representative yields on 30-year AAA rated municipal bonds rose from 4.25 percent at the start of the period to 4.53 percent by May 30, 2008. However, yields on the short end of the municipal curve fell, with yields on one-year bonds declining from 3.63 percent to 1.77 percent. Accordingly, the spread between long-term and short-term yields, which began the period at 62 basis points, widened to 276 basis points by the end of the period, causing the slope of the municipal yield curve to steepen considerably.

PERFORMANCE ANALYSIS

For the 12-month period ended May 31, 2008, the net asset value (NAV) of Morgan Stanley Municipal Income Opportunities Trust (OIA) decreased from \$8.28 to \$7.38 per share. Based on this change plus reinvestment of tax-free dividends totaling \$0.49 per share, the Fund's total NAV return was -5.33 percent. OIA's value on the New York Stock Exchange (NYSE) moved from \$9.68 to \$7.87 per share during the

2

same period. Based on this change plus reinvestment of dividends, the Fund's total market return was -13.65 percent. OIA's NYSE market price was at a 6.64 percent premium to its NAV. During the fiscal period, the Fund purchased and retired 35,368 shares of common stock at a weighted average market discount of

4.70 percent. Past performance is no guarantee of future results.

Monthly dividends for the second quarter of 2008, declared in April, were unchanged at \$0.03875 per share. The dividend reflects the current level of the Fund's net investment income. OIA's level of undistributed net investment income was \$0.047 per share on May 31, 2008 versus \$0.079 per share 12 months earlier.(1)

The Fund invests primarily in high yield municipal bonds, which represented more than two-thirds of assets during the period. The Fund's emphasis on this segment of the market detracted from performance as the risk-averse environment led to a considerable downturn in the performance of high yield bonds.

In the first half of the reporting year, we maintained a slightly shorter option-adjusted duration\* for the portfolio, primarily through the use of a Treasury futures hedge. Although this defensive duration positioning was beneficial to performance at the beginning of the period, the flight-to-quality Treasury market rally that ensued hindered the performance of the hedge. Therefore, we eliminated the position, which effectively lengthened the portfolio's duration. This relatively longer duration held back returns as municipal rates moved higher.

The Fund's yield curve positioning had little effect on performance as a whole, though performance varied across segments of the portfolio. We overweighted the long end of the municipal yield curve, where the majority of new investments were made, as well as the very short end of the curve, where most of the portfolio's older, "seasoned" investments and pre-refunded holdings were focused. Although the emphasis on the short end of the curve was beneficial, the performance of holdings on the long end of the curve waned as rates there rose over the course of the reporting period.

The Fund's pre-refunded holdings were additive to performance as these short-term securities did not experience the sell-off that longer maturity bonds did as long-term municipal yields rose. Additionally, a modest overweight in the high-grade housing sector boosted performance. The Fund's holdings in tobacco bonds, specifically zero coupon structures, however, detracted from overall performance.

Overall, the Fund's investments remained well-diversified across a broad range of sectors. As of the end of the period, sector exposure was relatively unchanged with life care, special tax districts, and hospital bonds representing the Fund's largest sector weightings.

OIA's procedure for reinvesting all dividends and distributions in common shares is through purchases in the open market. This method helps support the market value of the Fund's shares. In addition, we would like to remind you that the Trustees have approved a procedure whereby the Fund may, when appropriate, purchase shares in the open market or in privately negotiated transactions at a price not above market value or net asset value, whichever is lower at the time of purchase.

PERFORMANCE DATA QUOTED REPRESENTS PAST PERFORMANCE, WHICH IS NO GUARANTEE OF FUTURE RESULTS, AND CURRENT PERFORMANCE MAY BE LOWER OR HIGHER THAN THE FIGURES SHOWN. INVESTMENT RETURN, NET ASSET VALUE AND COMMON SHARE MARKET PRICE WILL FLUCTUATE AND FUND SHARES, WHEN SOLD, MAY BE WORTH MORE OR LESS THAN THEIR ORIGINAL COST.

# Edgar Filing: MORGAN STANLEY MUNICIPAL INCOME OPPORTUNITIES TRUST - Form N-CSR

There is no guarantee that any sectors mentioned will continue to perform as discussed herein or that securities in such sectors will be held by the Fund in the future.

(1) Income earned by certain securities in the portfolio may be subject to the federal alternative minimum tax (AMT).

\* A measure of the sensitivity of a bond's price to changes in interest rates, expressed in years. Each year of duration represents an expected 1 percent change in the price of a bond for every 1 percent change in interest rates. The longer a bond's duration, the greater the effect of interest-rate movements on its price. Typically, funds with shorter durations perform better in rising-interest-rate environments, while funds with longer durations perform better when rates decline.

4

## TOP FIVE SECTORS AS OF 05/31/08

Life Care	22.2%
Special Tax Districts	15.5
Hospital	11.4
IDR/PCR**	10.7
Mortgage-Single Family	8.7

## LONG-TERM CREDIT ANALYSIS AS OF 05/31/08

Aaa/AAA	6.3%
Aa/AA	10.3
A/A	1.0
Baa/BBB	9.4
Ba/BB or Less	8.1
NR	64.9

\*\* Industrial Development Revenue/Pollution Control Revenue.

## SUMMARY OF INVESTMENTS BY STATE CLASSIFICATION AS OF 05/31/08

Florida	17.8%
California	9.5
Pennsylvania	8.1

Edgar Filing: MORGAN STANLEY MUNICIPAL INCOME OPPORTUNITIES TRUST - Form N-CSR

Texas	7.8
Missouri	6.6
Illinois	6.2
New York	6.0
New Jersey	5.6
Colorado	4.0
New Hampshire	3.8
Arizona	3.7
Ohio	3.2
Massachusetts	2.8
Michigan	2.5

SUMMARY OF INVESTMENTS BY STATE  
 CLASSIFICATION AS OF 05/31/08  
 (CONTINUED)

Hawaii	2.2%
South Carolina	2.0
Maryland	1.8
Connecticut	1.7
Virginia	1.6
Iowa	1.6
Tennessee	1.4
Georgia	1.3
North Dakota	1.2
Nevada	0.9
Louisiana	0.8
Alabama	0.7
Idaho	0.6
Washington	0.6
Kansas	0.6
Minnesota	0.5
Oklahoma	0.4
North Carolina	0.3
District of Columbia	0.2
	-----
Total Long-Term Investments	108.0
Short-Term Investments	0.4
Liability for Floating Rate Note Obligations	(10.1)
Other Assets in Excess of Liabilities	1.7
	-----
Net Assets	100.0%
	=====

Subject to change daily. Provided for informational purposes only and should not be deemed a recommendation to buy or sell the securities mentioned or securities in the sectors shown above. Top five sectors are as a percentage of total investments and long-term credit analysis are as a percentage of total long-term investments. Summary of investments by state classification are as a percentage of net assets. Securities are classified by sectors that represent broad groupings of related industries. Morgan Stanley is a full-service securities

Edgar Filing: MORGAN STANLEY MUNICIPAL INCOME OPPORTUNITIES TRUST - Form N-CSR

firm engaged in securities trading and brokerage activities, investment banking, research and analysis, financing and financial advisory services. Rating allocations based upon ratings as issued by Standard and Poor's and Moody's, respectively.

5

FOR MORE INFORMATION ABOUT PORTFOLIO HOLDINGS

EACH MORGAN STANLEY FUND PROVIDES A COMPLETE SCHEDULE OF PORTFOLIO HOLDINGS IN ITS SEMIANNUAL AND ANNUAL REPORTS WITHIN 60 DAYS OF THE END OF THE FUND'S SECOND AND FOURTH FISCAL QUARTERS. THE SEMIANNUAL REPORTS AND THE ANNUAL REPORTS ARE FILED ELECTRONICALLY WITH THE SECURITIES AND EXCHANGE COMMISSION (SEC) ON FORM N-CSRS AND FORM N-CSR, RESPECTIVELY. MORGAN STANLEY ALSO DELIVERS THE SEMIANNUAL AND ANNUAL REPORTS TO FUND SHAREHOLDERS AND MAKES THESE REPORTS AVAILABLE ON ITS PUBLIC WEB SITE, WWW.MORGANSTANLEY.COM. EACH MORGAN STANLEY FUND ALSO FILES A COMPLETE SCHEDULE OF PORTFOLIO HOLDINGS WITH THE SEC FOR THE FUND'S FIRST AND THIRD FISCAL QUARTERS ON FORM N-Q. MORGAN STANLEY DOES NOT DELIVER THE REPORTS FOR THE FIRST AND THIRD FISCAL QUARTERS TO SHAREHOLDERS, NOR ARE THE REPORTS POSTED TO THE MORGAN STANLEY PUBLIC WEB SITE. YOU MAY, HOWEVER, OBTAIN THE FORM N-Q FILINGS (AS WELL AS THE FORM N-CSR AND N-CSRS FILINGS) BY ACCESSING THE SEC'S WEB SITE, HTTP://WWW.SEC.GOV. YOU MAY ALSO REVIEW AND COPY THEM AT THE SEC'S PUBLIC REFERENCE ROOM IN WASHINGTON, DC. INFORMATION ON THE OPERATION OF THE SEC'S PUBLIC REFERENCE ROOM MAY BE OBTAINED BY CALLING THE SEC AT (800) SEC-0330. YOU CAN ALSO REQUEST COPIES OF THESE MATERIALS, UPON PAYMENT OF A DUPLICATING FEE, BY ELECTRONIC REQUEST AT THE SEC'S E-MAIL ADDRESS (PUBLICINFO@SEC.GOV) OR BY WRITING THE PUBLIC REFERENCE SECTION OF THE SEC, WASHINGTON, DC 20549-0102.

6

Morgan Stanley Municipal Income Opportunities Trust  
 PORTFOLIO OF INVESTMENTS - MAY 31, 2008

PRINCIPAL AMOUNT IN THOUSANDS		COUPON RATE	MATURITY DATE	VALUE
-----				
	Tax-Exempt Municipal Bonds (108.0%)			
	Alabama (0.7%)			
\$ 1,000	Colbert County - Northwest Health Care Authority, Helen Keller Hospital Ser 2003.....	5.75	% 06/01/27	\$ 977,420
	Arizona (3.7%)			
800	Pima County Industrial Development Authority, Water & Wastewater Ser 2007 (AMT).....	6.55	12/01/37	747,144
1,225	Pima County Industrial Development			

Edgar Filing: MORGAN STANLEY MUNICIPAL INCOME OPPORTUNITIES TRUST - Form N-CSR

	Authority, Constellation Schools Ser			
	2008.....	7.00	01/01/38	1,188,507
2,900	Salt Verde Financial Corporation Ser 2007			
	(a).....	5.25	12/01/24	2,831,255
600	Scottsdale Industrial Development			
	Authority, Scottsdale Healthcare Ser 2008			
	A (WI).....	5.25	09/01/30	587,610
				-----
				5,354,516
				-----
	California (9.5%)			
1,935	California County Tobacco Securitization			
	Agency, Gold County Settlement Funding			
	Corp Ser 2006.....	0.00	06/01/33	307,026
2,000	California Housing Finance Agency, 2006 Ser			
	K (AMT).....	4.75	08/01/36	1,799,460
335	California Municipal Finance Authority			
	Educational Facility, Ser 2008.....	5.875	07/01/28	335,231
1,000	California Statewide Communities			
	Development Authority, California Baptist			
	University Ser 2007 A.....	5.50	11/01/38	906,560
600	California Statewide Communities			
	Development Authority, Daughters of			
	Charity Health Ser 2005 A.....	5.00	07/01/39	536,730
1,000	Daly City Housing Development Finance			
	Agency, Franciscan Mobile Home Park Third			
	Tier Refg Ser 2007 C.....	6.50	12/15/47	903,290
4,000	Golden State Tobacco Securitization			
	Corporation, Asset Backed Ser 2007 A-1			
	(a).....	5.125	06/01/47	3,130,595
800	Quechan Indian Tribe FT Yuma Indian			
	Reservation Ser 2008.....	7.00	12/01/27	793,120
2,000	Sacramento Financing Authority, Convention			
	Center Hotel Ser 1999 A.....	6.25	01/01/30	2,112,540
1,000	San Diego County, San Diego Natural History			
	Museum (COPs).....	5.70	02/01/28	925,250
1,000	San Marcos Community Facilities District			
	#2002-01, University Commons Ser 2004....	5.95	09/01/35	965,290
1,000	Santa Ana Unified School District Community			
	Facilities, District #2004-1, Central			
	Park Ser 2005.....	5.10	09/01/35	836,060
13,000	Silicon Valley Tobacco Securitization			
	Authority, Santa Clara Tobacco			
	Securitization Corp Ser 2007 C.....	0.00	06/01/56	275,730
				-----
				13,826,882
				-----

See Notes to Financial Statements

7

Edgar Filing: MORGAN STANLEY MUNICIPAL INCOME OPPORTUNITIES TRUST - Form N-CSR

PRINCIPAL AMOUNT IN THOUSANDS		COUPON RATE	MATURITY DATE	VALUE
	Colorado (4.0%)			
\$ 1,000	Colorado Health Facilities Authority, Christian Living Communities Ser 2006 A..	5.75	% 01/01/37	\$ 897,150
10	Colorado Housing Finance Authority, 1996 Ser B-1 (AMT).....	7.65	11/01/26	10,191
305	Colorado Housing Finance Authority, 1998 Ser B-3.....	6.35	11/01/29	320,110
1,000	Copperleaf Metropolitan District #2 Ser 2006.....	5.95	12/01/36	804,410
2,000	Elk Valley Public Improvement Corporation Ser 2001 A.....	7.35	09/01/31	2,015,300
2,000	Northwest Metropolitan District #3 Ser 2005.....	6.25	12/01/35	1,703,520
				----- 5,750,681 -----
	Connecticut (1.7%)			
2,000	Georgetown Special Taxing District Ser 2006 A (b).....	5.125	10/01/36	1,555,480
1,000	Mashantucket (Western) Pequot Tribe, Special Ser 1997 B (b).....	5.75	09/01/27	944,890
				----- 2,500,370 -----
	District of Columbia (0.2%)			
260	Metropolitan Washington Airports Authority, District of Columbia & Virginia, CaterAir International Corp Ser 1991 (AMT) (c)....	10.125	09/01/11	260,182
	Florida (17.8%)			
500	Alachua County Industrial Development, North Florida Retirement Village Ser 2007.....	5.25	11/15/17	474,945
800	Alachua County Florida Industrial Development, North Florida Retirement Village Ser 2007.....	5.875	11/15/36	724,800
2,000	Beacon Lakes, Community Development District Ser 2003 A.....	6.90	05/01/35	1,934,680
950	Bellalago Educational Facilities Benefits District, Bellalago Chapter School Ser 2004 B.....	5.80	05/01/34	924,512
650	Brevard County Health Facilities Authority, Buena Vida Estates, Inc Ser 2007.....	6.75	01/01/37	646,282
2,960	Broward County Professional Sports Facilities, Civic Arena Refg Ser 2006 A (FSA Insd) (a).....	5.00	09/01/23	3,077,438
3,550	Escambia County, Pensacola Care Development Centers Ser 1989.....	10.25	07/01/11	3,559,265
820	Escambia County, Pensacola Care Development Centers Ser 1989 A.....	10.25	07/01/11	822,140
1,000	Fiddlers Creek Community Development District # 1 Ser 2005.....	6.00	05/01/38	861,470
500	Fountainbleau Lakes Community Development District Ser 2007 B (b).....	6.00	05/01/15	460,425
750	Grand Bay at Doral Community Development District Ser 2007 A.....	6.00	05/01/39	588,473



Edgar Filing: MORGAN STANLEY MUNICIPAL INCOME OPPORTUNITIES TRUST - Form N-CSR

1,000	Lee County Florida Industrial Development Authority Ser 2007 A.....	5.375	06/15/37	817,770
1,000	Midtown Miami Community Development District, Parking Garage Ser 2004 A.....	6.25	05/01/37	931,340
500	Orange County Health Facilities Authority, Orlando Lutheran Towers, Inc Ser 2005....	5.70	07/01/26	457,435

See Notes to Financial Statements

8

Morgan Stanley Municipal Income Opportunities Trust  
 PORTFOLIO OF INVESTMENTS - MAY 31, 2008 continued

PRINCIPAL AMOUNT IN THOUSANDS		COUPON RATE	MATURITY DATE	VALUE
\$ 2,000	Orange County Health Facilities Authority, Orlando Lutheran Towers, Inc Ser 2007....	5.50	% 07/01/32	\$ 1,741,720
1,000	Orange County Health Facilities Authority, Westminister Community Care Services Inc Ser 1999.....	6.75	04/01/34	1,013,840
1,000	Pinellas County Health Facilities Authority, Oaks of Clearwater Ser 2004...	6.25	06/01/34	1,015,300
965	Renaissance Commons Community Development District, Ser 2005 A.....	5.60	05/01/36	802,755
500	Split Pine Community Development District, Ser 2007 A.....	5.25	05/01/39	399,610
2,860	South Miami Health Facilities Authority, Baptist Health South Florida Obligated Group Ser 2007 (a).....	5.00	08/15/32	2,820,317
1,000	St Johns County Industrial Development Authority, Glenmoor Ser 1999 A.....	8.00	01/01/10 (d)	1,106,620
600	Tolomato Community Development District, Special Assessment Ser 2007.....	6.55	05/01/27	589,440
				----- 25,770,577 -----
	Georgia (1.3%)			
2,000	Atlanta Eastside Ser 2005 B.....	5.60	01/01/30	1,826,460
	Hawaii (2.2%)			
1,000	Hawaii Department of Budget & Finance, Kahala Nui Ser 2003 A.....	8.00	11/15/33	1,095,350
2,000	Hawaii Department of Budget & Finance, Kuakini Health 2002 Ser A.....	6.375	07/01/32	2,035,360
				----- 3,130,710 -----
	Idaho (0.6%)			
1,000	Idaho Health Facilities Authority - Valley Vista Care Corp Refg Ser 2007.....	6.125	11/15/27	947,290
				-----

Edgar Filing: MORGAN STANLEY MUNICIPAL INCOME OPPORTUNITIES TRUST - Form N-CSR

	Illinois (6.2%)			
1,000	Bolingbrook Sales Tax Ser 2005.....	6.25	01/01/24	988,370
2,000	Chicago Lake Shore East Ser 2002.....	6.75	12/01/32	2,027,760
1,000	Illinois Finance Authority, Landing at Plymouth Ser 2005 A.....	6.00	05/15/37	909,210
1,000	Illinois Finance Authority, Luther Oaks Ser 2006 A.....	6.00	08/15/39	917,880
1,650	Illinois Finance Authority, Montgomery Place Ser 2006 A.....	5.75	05/15/38	1,446,555
725	Lincolnshire, Service Area #1-Sedgebrook Ser 2004.....	6.25	03/01/34	703,714
500	Village of Hampshire, Kane County Special Service Area # 18 Crown Development Tamms Farm Ser 2007 A.....	6.00	03/01/44	423,525

See Notes to Financial Statements

9

Morgan Stanley Municipal Income Opportunities Trust  
PORTFOLIO OF INVESTMENTS - MAY 31, 2008 continued

PRINCIPAL AMOUNT IN THOUSANDS		COUPON RATE	MATURITY DATE	VALUE
\$ 650	Will-Kankakee Regional Development Authority, Senior Estates Supportive Living Ser 2007 (AMT).....	7.00	% 12/01/42	\$ 639,613
1,000	Yorkville Special Service Area #2006-113, Cannonball/Beecher Road Ser 2007.....	5.75	03/01/28	878,320
				----- 8,934,947 -----
	Iowa (1.6%)			
785	Jefferson County Hospital Ser 2007 C.....	5.95	08/01/37	763,546
1,000	Iowa Finance Authority, Bethany Life Communities Refg Ser 2006 A.....	5.55	11/01/41	847,500
750	Iowa Finance Authority Health Care Facilities, Madrid Homes Ser 2007.....	5.90	11/15/37	670,725
				----- 2,281,771 -----
	Kansas (0.6%)			
900	Olathe Catholic Care Ser 2006 A.....	6.00	11/15/38	821,277
	Louisiana (0.8%)			
800	Lakeshore Villages Master Community Development District, Special Assessment Ser 2007.....	5.25	07/01/17	720,736
400	Louisiana Public Facilities Authority, Lake Charles Memorial Hospital Refg Ser 2007..	6.375	12/01/34	382,552

Edgar Filing: MORGAN STANLEY MUNICIPAL INCOME OPPORTUNITIES TRUST - Form N-CSR

				-----
				1,103,288
				-----
Maryland (1.8%)				
1,000	Maryland Economic Development Corporation, Chesapeake Bay Conference Center Ser 2006 A.....	5.00	12/01/31	779,100
800	Maryland Health & Higher Educational Facilities Authority, Washington Christian Academy Ser 2006.....	5.50	07/01/38	664,376
500	Maryland Industrial Development Financing Authority, Our Lady of Good Counsel High School Ser 2005 A.....	6.00	05/01/35	501,510
750	Maryland State Health & Higher Educational Facilities Authority, King Farm Presbyterian Community 2007 Ser A.....	5.30	01/01/37	621,413
				-----
				2,566,399
				-----
Massachusetts (2.8%)				
1,500	Massachusetts Development Finance Agency, Loomis Communities Ser 1999 A.....	5.75	07/01/23	1,509,585
1,625	Massachusetts Development Finance Agency, New England Center for Children Ser 1998.....	5.875	11/01/18	1,587,852
1,000	Massachusetts Health & Educational Facilities Authority, The Learning Center for Deaf Children Ser 1999 C.....	6.125	07/01/29	977,390
				-----
				4,074,827
				-----

See Notes to Financial Statements

10

Morgan Stanley Municipal Income Opportunities Trust  
PORTFOLIO OF INVESTMENTS - MAY 31, 2008 continued

PRINCIPAL AMOUNT IN THOUSANDS		COUPON RATE	MATURITY DATE	VALUE
-----				
Michigan (2.5%)				
\$ 1,230	Detroit Sewage Disposal, Senior Lien Refg Ser 2001 C-2 (BHAC FGIC Insd) (a).....	5.25	% 07/01/29	\$ 1,305,116
600	Gaylord Hospital Financing Authority, Otsego Memorial Hospital Ser 2004.....	6.50	01/01/37	585,138
2,000	Michigan Tobacco Settlement Finance Authority, Asset Backed Ser 2007 A.....	6.00	06/01/48	1,783,400
				-----
				3,673,654
				-----
Minnesota (0.5%)				
750	North Oaks Senior Housing Presbyterian			

Edgar Filing: MORGAN STANLEY MUNICIPAL INCOME OPPORTUNITIES TRUST - Form N-CSR

	Homes Ser 2007.....	6.125	10/01/39	730,072
				-----
	Missouri (6.6%)			
750	Branson Hills Community Improvement District Ser 2007 A.....	5.50	04/01/27	669,503
500	Branson Regional Airport Transportation Development District Ser 2007 B (AMT)....	6.00	07/01/37	434,045
2,000	Des Peres, West County Center Ser 2002.....	5.75	04/15/20	1,945,420
3,850	Fenton, Gravois Bluffs Redevelopment Refg Ser 2001 A.....	7.00	10/01/11 (d)	4,379,952
1,500	Kansas City Industrial Development Agency, Bishop Spencer 2004 Ser A.....	6.50	01/01/35	1,474,755
750	St. Louis Industrial Development Authority, St. Andrews Resources for Seniors Ser 2007 A.....	6.375	12/01/41	711,413
				-----
				9,615,088
				-----
	Nevada (0.9%)			
1,050	Mesquite Nevada Special Improvement District # 07-01 Local Improvement-Anthem at Mesquite Ser 2007.....	6.00	08/01/23	1,000,209
1,000	Nevada Department of Business & Industry, Las Vegas Monorail 2nd Tier Ser 2000.....	7.375	01/01/40	317,080
				-----
				1,317,289
				-----
	New Hampshire (3.8%)			
10,735	New Hampshire Housing Finance Authority, Single Family Residential 1983 Ser B.....	0.00	01/01/15	5,445,651
				-----
	New Jersey (5.6%)			
1,000	New Jersey Economic Development Authority, Cedar Crest Village Inc Ser 2001 A.....	7.25	11/15/11 (d)	1,149,410
1,000	New Jersey Economic Development Authority, Franciscan Oaks Ser 1997.....	5.70	10/01/17	1,011,650
730	New Jersey Economic Development Authority, Lions Gate Ser 2005 A.....	5.875	01/01/37	646,831

See Notes to Financial Statements

11

Morgan Stanley Municipal Income Opportunities Trust  
PORTFOLIO OF INVESTMENTS - MAY 31, 2008 continued

PRINCIPAL AMOUNT IN THOUSANDS		COUPON RATE	MATURITY DATE	VALUE
-----				-----
\$ 700	New Jersey Economic Development Authority, Seashore Gardens Living Center Ser 2006..	5.375	% 11/01/36	\$ 594,104

Edgar Filing: MORGAN STANLEY MUNICIPAL INCOME OPPORTUNITIES TRUST - Form N-CSR

1,000	New Jersey Economic Development Authority, The Presbyterian Home at Montgomery Ser 2001 A.....	6.375	11/01/31	985,000
2,000	New Jersey Economic Development Authority, United Methodist Homes of New Jersey Ser 1998.....	5.125	07/01/25	1,716,420
2,000	New Jersey Health Care Facilities Financing Authority, Raritan Bay Medical Center Ser 1994.....	7.25	07/01/27	1,980,480
				-----
				8,083,895
				-----
	New York (6.0%)			
3,000	Brookhaven Industrial Development Agency, Woodcrest Estates Ser 1998 A (AMT).....	6.375	12/01/37	3,008,550
235	Mount Vernon Industrial Development Agency, Meadowview at the Wartburg Ser 1999.....	6.00	06/01/09	235,056
2,000	New York City Industrial Development Agency, 7 World Trade Center LLC Ser 2005 A.....	6.50	03/01/35	2,023,900
1,000	New York Liberty Development Corporation, National Sports Museum, Ser 2006 A.....	6.125	02/15/19	1,005,920
1,500	Suffolk County Industrial Development Agency, Medford Hamlet Ser 2006.....	6.375	01/01/39	1,410,945
1,000	Westchester County Industrial Development Agency, Guiding Eyes for The Blind Inc Ser 2004.....	5.375	08/01/24	1,004,840
				-----
				8,689,211
				-----
	North Carolina (0.3%)			
500	North Carolina Medical Care Commission Healthcare Facilities, Southminster Ser 2007 A.....	5.75	10/01/37	500,315
				-----
	North Dakota (1.2%)			
1,500	Grand Forks 4000 Valley Square Ser 2006....	5.30	12/01/34	1,257,885
500	Ward County, Trinity Ser 2006.....	5.125	07/01/29	471,390
				-----
				1,729,275
				-----
	Ohio (3.2%)			
3,300	Buckeye Tobacco Settlement Financing Authority, Asset Backed Ser 2007 A-2.....	5.875	06/01/30	2,996,004
600	Centerville Health Care, Bethany Lutheran Village Continuing Care Facility, Ser 2007 A.....	6.00	11/01/38	540,366
850	Cuyahoga County Health Care and Independent Living Facilities, Eliza Jennings Senior Care Ser 2007 A.....	5.75	05/15/27	778,897
450	Tuscarawas County Hospital Facilities, Twin City Hospital Ser 2007.....	6.35	11/01/37	427,028
				-----
				4,742,295
				-----

See Notes to Financial Statements

Edgar Filing: MORGAN STANLEY MUNICIPAL INCOME OPPORTUNITIES TRUST - Form N-CSR

Morgan Stanley Municipal Income Opportunities Trust  
 PORTFOLIO OF INVESTMENTS - MAY 31, 2008 continued

PRINCIPAL AMOUNT IN THOUSANDS		COUPON RATE	MATURITY DATE	VALUE
	Oklahoma (0.4%)			
\$ 650	Chickasaw Nation Health Systems Ser 2007...	6.25 %	12/01/32	\$ 653,224
	Pennsylvania (8.1%)			
2,300	Allegheny County Hospital Development Authority, West Penn Allegheny Health Ser 2007 A.....	5.375	11/15/40	1,961,302
1,500	Bucks County Industrial Development Authority, Ann's Choice Ser 2005 A.....	6.125	01/01/25	1,503,765
1,000	Chester County Health & Educational Facilities Authority, Jenner's Pond Inc Ser 2002.....	7.625	07/01/12 (d)	1,184,910
500	Fulton County Industrial Development Authority, Fulton County Medical Center Ser 2006.....	5.875	07/01/31	466,710
1,000	Harrisburg Authority, Harrisburg University of Science & Technology Ser 2007 B.....	6.00	09/01/36	954,820
1,000	Montgomery County Industrial Development Authority, Whitemarsh Community Ser 2005.....	6.25	02/01/35	927,400
1,000	Pennsylvania Economic Development Financing Authority, Reliant Energy Inc Ser 2001 A (AMT).....	6.75	12/01/36	1,010,530
2,860	Pennsylvania Housing Finance Agency Ser 2007-100A (AMT) (a).....	5.10	10/01/22	2,846,873
1,000	Washington County, Victory Centre/Tanger Outlet Redevelopment Authority Ser 2006 A.....	5.45	07/01/35	869,810
				11,726,120
	South Carolina (2.0%)			
1,000	Myrtle Beach, Air Force Base Redevelopment Ser 2006 A.....	5.30	11/01/35	822,750
1,000	South Carolina Jobs - Economic Development Authority, Lutheran Homes Ser 2007.....	5.625	05/01/42	835,010
750	South Carolina Jobs - Economic Development Authority, Westley Commons Ser 2006.....	5.30	10/01/36	620,288
625	South Carolina Jobs - Economic Development Authority, Woodlands At Furman Ser 2007 A.....	6.00	11/15/37	567,937
				2,845,985
	Tennessee (1.4%)			
525	Chattanooga Health, Educational & Housing Facilities Board, Student Housing Refg Ser 2005 A.....	5.00	10/01/25	473,834

Edgar Filing: MORGAN STANLEY MUNICIPAL INCOME OPPORTUNITIES TRUST - Form N-CSR

500	Shelby County Health, Educational & Housing Facilities Board, Trezevant Manor Ser 2006 A.....	5.75	09/01/37	473,600
750	Shelby County Health, Educational & Housing Facilities Board, Village at Germantown Ser 2003 A.....	7.25	12/01/34	739,920
500	Shelby County Health, Educational & Housing Facilities Board, Village at Germantown Ser 2006.....	6.25	12/01/34	416,365
				-----
				2,103,719
				-----

See Notes to Financial Statements

13

Morgan Stanley Municipal Income Opportunities Trust  
PORTFOLIO OF INVESTMENTS - MAY 31, 2008 continued

PRINCIPAL AMOUNT IN THOUSANDS		COUPON RATE	MATURITY DATE	VALUE
	Texas (7.8%)			
\$ 2,000	Austin Convention Enterprises Inc, Convention Center Hotel Ser 2001 A.....	6.70	% 01/01/11 (d)	\$ 2,192,440
2,000	Austin Convention Enterprises Inc, Convention Center Hotel Ser 2006 B.....	5.75	01/01/34	1,773,480
1,000	Brazos River Authority, Texas Utilities Electric Co Refg Ser 1999 A (AMT).....	7.70	04/01/33	997,750
1,000	Decatur Hospital Authority, Wise Regional Health Ser 2004 A.....	7.125	09/01/34	1,028,720
1,250	HFDC Central Texas Inc, Legacy at Willow Bend, Ser 2006 A.....	5.75	11/01/36	1,078,787
1,000	Lubbock Health Facilities Development Corporation, Carillon Senior Lifecare Ser 2005 A.....	6.50	07/01/26	984,790
3,375	Texas Department of Housing and Community Affairs 2007 Ser B (AMT) (a).....	5.15	09/01/27	3,316,036
				-----
				11,372,003
				-----
	Virginia (1.6%)			
2,000	Peninsula Ports Authority of Virginia, Baptist Homes Ser 2006 C.....	5.40	12/01/33	1,705,560
700	Peninsula Town Center Community Development Authority Ser 2007.....	6.45	09/01/37	649,397
				-----
				2,354,957
				-----
	Washington (0.6%)			
1,000	Washington Housing Finance Commission, Skyline at First Hill Ser 2007 A.....	5.625	01/01/38	859,140

Edgar Filing: MORGAN STANLEY MUNICIPAL INCOME OPPORTUNITIES TRUST - Form N-CSR

	Total Tax-Exempt Municipal Bonds (Cost \$163,583,478).....			156,569,490
	Short-Term Tax-Exempt Municipal Obligations (0.4%)			
	California (0.3%)			
500	Westminster Redevelopment Agency, Tax Allocation Refg Ser 1997 (AMBAC Insd) (Called for redemption 06/11/08).....	4.00 (e)	08/01/27	500,000
	Ohio (0.1%)			
75	Zanesville-Muskingum County Port Authority, Anchor Glass Container Corp Ser 1989 B (AMT).....	10.25	12/01/08	75,169
	Total Short-Term Tax-Exempt Municipal Obligations (Cost \$575,000).....			575,169
	Total Investments (Cost \$164,158,478).....			157,144,659

See Notes to Financial Statements

14

Morgan Stanley Municipal Income Opportunities Trust  
PORTFOLIO OF INVESTMENTS - MAY 31, 2008 continued

PRINCIPAL AMOUNT IN THOUSANDS			VALUE
	Floating Rate Note and Dealer Trust Obligations Related to Securities Held (-10.1%)		
\$(14,700)	Notes with interest rates ranging from 1.61% to 1.82% at May 31, 2008 and contractual maturities of collateral ranging from 10/01/22 to 06/01/47 (See Note 1D) (f) (Cost \$(14,700,000))....		\$(14,700,000)
	Total Net Investments (Cost \$149,458,478) (g).....	98.3%	142,444,659
	Other Assets in Excess of Liabilities.....	1.7	2,515,534
	Net Assets.....	100.0%	\$144,960,193



-----

- AMT Alternative Minimum Tax.
- COPs Certificates of Participation.
- WI Security purchased on a when-issued basis.
- (a) Underlying security related to inverse floater entered into by the Fund.
- (b) Resale is restricted to qualified institutional investors.
- (c) Joint exemption.
- (d) Prerefunded to call date shown.
- (e) Current coupon of variable rate demand obligation.
- (f) Floating rate note obligations related to securities held. The interest rates shown reflect the rates in effect at May 31, 2008.
- (g) The aggregate cost for federal income tax purposes is \$149,381,884. The aggregate gross unrealized appreciation is \$2,411,526 and the aggregate gross unrealized depreciation is \$9,348,751 resulting in net unrealized depreciation of \$6,937,225.

Bond Insurance:

-----

- AMBAC AMBAC Assurance Corporation.
- BHAC Berkshire Hathaway Assurance Corporation.
- FGIC Financial Guaranty Insurance Company.
- FSA Financial Security Assurance Inc.

See Notes to Financial Statements

Morgan Stanley Municipal Income Opportunities Trust  
FINANCIAL STATEMENTS

Statement of Assets and Liabilities  
May 31, 2008

Assets:	
Investments in securities, at value (cost	
\$164,158,478).....	\$157,144,659
Cash.....	112,984
Receivable for:	
Interest.....	2,951,028
Investments sold.....	234,769
Dividends from affiliate.....	603
Prepaid expenses and other assets.....	17,617
	-----

Edgar Filing: MORGAN STANLEY MUNICIPAL INCOME OPPORTUNITIES TRUST - Form N-CSR

Total Assets.....	160,461,660
-----	
Liabilities:	
Floating rate note and dealer trust obligations.....	14,700,000
Payable for:	
Investments purchased.....	579,336
Investment advisory fee.....	71,023
Administration fee.....	11,376
Transfer agent fee.....	2,941
Accrued expenses and other payables.....	136,791
-----	
Total Liabilities.....	15,501,467
-----	
Net Assets.....	\$144,960,193
=====	
Composition of Net Assets:	
Paid-in-capital.....	\$173,752,952
Net unrealized depreciation.....	(7,013,819)
Accumulated undistributed net investment income.....	926,585
Accumulated net realized loss.....	(22,705,525)
-----	
Net Assets.....	\$144,960,193
=====	
Net Asset Value Per Share	
19,649,675 shares outstanding (unlimited shares authorized of \$.01 par value).....	\$7.38
=====	

Statement of Operations  
For the year ended May 31, 2008

Net Investment Income:	
Income	
Interest.....	\$ 10,353,640
Dividends from affiliate.....	44,540
-----	
Total Income.....	10,398,180
-----	
Expenses	
Investment advisory fee.....	763,502
Interest and residual trust expenses.....	352,358
Administration fee.....	122,160
Professional fees.....	61,984
Shareholder reports and notices.....	49,833
Listing fees.....	18,949
Transfer agent fees and expenses.....	18,380
Trustees' fees and expenses.....	8,516
Custodian fees.....	8,501
Other.....	43,048
-----	
Total Expenses.....	1,447,231
Less: expense offset.....	(8,364)
Less: rebate from Morgan Stanley affiliated	

Edgar Filing: MORGAN STANLEY MUNICIPAL INCOME OPPORTUNITIES TRUST - Form N-CSR

cash sweep (Note 3).....	(1,373)
	-----
Net Expenses.....	1,437,494
	-----
Net Investment Income.....	8,960,686
	-----
Realized and Unrealized Gain (Loss):	
Realized Gain (Loss) on:	
Investments.....	(1,965,259)
Futures contracts.....	(559,283)
Swap contracts.....	148,154
	-----
Net Realized Loss.....	(2,376,388)
	-----
Change in Unrealized	
Appreciation/Depreciation on:	
Investments.....	(14,645,497)
Futures contracts.....	(33,391)
Swap contracts.....	(50,854)
	-----
Net Change in Unrealized	
Appreciation/Depreciation.....	(14,729,742)
	-----
Net Loss.....	(17,106,130)
	-----
Net Decrease.....	\$ (8,145,444)
	=====

See Notes to Financial Statements

16

Morgan Stanley Municipal Income Opportunities Trust  
FINANCIAL STATEMENTS continued

Statements of Changes in Net Assets

	FOR THE YEAR ENDED MAY 31, 2008	FOR THE YEAR ENDED MAY 31, 2007
	-----	-----
Increase (Decrease) in Net Assets:		
Operations:		
Net investment income.....	\$ 8,960,686	\$ 9,524,302
Net realized loss.....	(2,376,388)	(8,551,492)
Net change in unrealized appreciation/depreciation....	(14,729,742)	14,749,972
	-----	-----
Net Increase (Decrease).....	(8,145,444)	15,722,782
Dividends to shareholders from net investment income..	(9,638,541)	(10,648,870)
Decrease from transactions in shares of beneficial		
interest.....	(257,624)	--

Net Increase (Decrease).....	(18,041,609)	5,073,912
Net Assets:		
Beginning of period.....	163,001,802	157,927,890
End of Period		
(Including accumulated undistributed net investment income of \$926,585 and \$1,550,877, respectively).....	\$144,960,193	\$163,001,802
	=====	=====

See Notes to Financial Statements

17

Morgan Stanley Municipal Income Opportunities Trust  
FINANCIAL STATEMENTS continued

Statement of Cash Flows  
For the year ended May 31, 2008

Increase (Decrease) in cash:		
Cash Flows Provided by Operating Activities:		
Net decrease in net assets from operations.....	\$ (8,145,444)	
Adjustments to reconcile net decrease in net assets from operations to net cash provided by operating activities:		
Net Realized Loss on Investments.....	2,376,388	
Net Change in Unrealized Depreciation on Investments.....	14,729,742	
Amortization of Premium.....	40,418	
Accretion of Discount.....	(763,618)	
Cost of Purchases of Investments.....	(63,702,003)	
Proceeds from Sales of Investments.....	59,900,630	
Net Sale of Short-Term Investments.....	3,000,000	
Increase in Interest Receivables and Other Assets.....	(210,994)	
Increase in Accrued Expenses and Other Payables.....	20,509	
Total Adjustments.....	15,391,072	
Net Cash Provided by Operating Activities.....	7,245,628	
Cash Flows from Financing Activities		
Repurchased Shares.....	(257,624)	
Dividends Paid.....	(9,638,541)	
Net Change in Proceeds from Floating Rate Note Obligations.....	2,700,000	
Net Cash Used for Financing Activities.....	(7,196,165)	
Net Increase in Cash.....	49,463	
Cash at the Beginning of the Period.....	63,521	
Cash at the End of the Period.....	\$ 112,984	

Supplemental Disclosure of Cash Flow Information	=====
Cash paid during the year for interest.....	\$ 352,358
	=====

See Notes to Financial Statements

18

Morgan Stanley Municipal Income Opportunities Trust  
 NOTES TO FINANCIAL STATEMENTS - MAY 31, 2008

1. Organization and Accounting Policies

Morgan Stanley Municipal Income Opportunities Trust (the "Fund") is registered under the Investment Company Act of 1940, as amended, as a diversified, closed-end management investment company. The Fund's investment objective is to provide a high level of current income which is exempt from federal income tax. The Fund was organized as a Massachusetts business trust on June 22, 1988 and commenced operations on September 19, 1988.

The following is a summary of significant accounting policies:

A. Valuation of Investments -- (1) portfolio securities are valued by an outside independent pricing service approved by the Trustees. The pricing service uses both a computerized grid matrix of tax-exempt securities and evaluations by its staff, in each case based on information concerning market transactions and quotations from dealers which reflect the mean between the last reported bid and asked price. The portfolio securities are thus valued by reference to a combination of transactions and quotations for the same or other securities believed to be comparable in quality, coupon, maturity, type of issue, call provisions, trading characteristics and other features deemed to be relevant. The Trustees believe that timely and reliable market quotations are generally not readily available for purposes of valuing tax-exempt securities and that the valuations supplied by the pricing service are more likely to approximate the fair value of such securities; (2) futures are valued at the latest sale price on the commodities exchange on which they trade unless it is determined that such price does not reflect their market value, in which case they will be valued at their fair value as determined in good faith under procedures established by and under the supervision of the Trustees; (3) interest rate swaps are marked-to-market daily based upon quotations from market makers; (4) investments in open-end mutual funds, including the Morgan Stanley Institutional Liquidity Funds, are valued at the net asset value as of the close of each business day; and (5) short-term debt securities having a maturity date of more than sixty days at time of purchase are valued on a mark-to-market basis until sixty days prior to maturity and thereafter at amortized cost based on their value on the 61st day. Short-term debt securities having a maturity date of sixty days or less at the time of purchase are valued at amortized cost.

B. Accounting for Investments -- Security transactions are accounted for on the trade date (date the order to buy or sell is executed). Realized gains and losses on security transactions are determined by the identified cost method. Discounts are accreted and premiums are amortized over the life of the respective securities and are included in interest income. Interest income is accrued daily except where collection is not expected.

Morgan Stanley Municipal Income Opportunities Trust  
NOTES TO FINANCIAL STATEMENTS - MAY 31, 2008 continued

C. Federal Income Tax Policy -- It is the Fund's policy to comply with the requirements of Subchapter M of the Internal Revenue Code applicable to regulated investment companies and to distribute substantially all of its taxable and non taxable income to its shareholders. Therefore, no provision for federal income taxes is required. The Fund files tax returns with the U.S. Internal Revenue Service, New York State and New York City. The Fund adopted the provisions of the Financial Accounting Standards Board ("FASB") Interpretation No. 48 ("Fin 48") Accounting for Uncertainty in Income Taxes, on November 29, 2007. Fin 48 sets forth a minimum threshold for financial statement recognition of the benefit of a tax position taken or expected to be taken in a tax return. The implementation of Fin 48 did not result in any unrecognized tax benefits in the accompanying financial statements. If applicable, the Fund recognizes the interest accrued related to unrecognized tax benefits in the interest expense and penalties in other expenses in the Statement of Operations. Each of the tax years in the four year period ended May 31, 2008, remains subject to examination by the taxing authorities.

D. Floating Rate Note and Dealer Trusts Obligations Related to Securities Held -- The Fund enters into transactions in which it transfers to Dealer Trusts ("Dealer Trusts"), fixed rate bonds in exchange for cash and residual interests in the Dealer Trusts' assets and cash flows, which are in the form of inverse floating rate investments. The Dealer Trusts fund the purchases of the fixed rate bonds by issuing floating rate notes to third parties and allowing the Fund to retain residual interest in the bonds. The Fund enters into shortfall agreements with the Dealer Trusts which commit the Fund to pay the Dealer Trusts, in certain circumstances, the difference between the liquidation value of the fixed rate bonds held by the Dealer Trusts and the liquidation value of the floating rate notes held by third parties, as well as any shortfalls in interest cash flows. The residual interests held by the Fund (inverse floating rate investments) include the right of the Fund (1) to cause the holders of the floating rate notes to tender their notes at par at the next interest rate reset date, and (2) to transfer the municipal bond from the Dealer Trusts to the Fund, thereby collapsing the Dealer Trusts. The Fund accounts for the transfer of bonds to the Dealer Trusts as secured borrowings, with the securities transferred remaining in the Fund's investment assets, and the related floating rate notes reflected as Fund liabilities under the caption "Floating rate note and dealer trust obligations" on the Statement of Assets and Liabilities. The Fund records the interest income from the fixed rate bonds under the caption "Interest Income" and records the expenses related to floating rate note obligations and any administrative expenses of the Dealer Trusts under the caption "Interest and residual trust expenses" in the Fund's Statement of Operations. The notes issued by the Dealer Trusts have interest rates that reset weekly and the floating rate note holders have the option to tender their notes to the Dealer Trusts for redemption at par at each reset date. At May 31, 2008, Fund investments with a value of \$19,327,630 are held by the Dealer Trusts and serve as collateral for the \$14,700,000 in floating

20

Morgan Stanley Municipal Income Opportunities Trust  
NOTES TO FINANCIAL STATEMENTS - MAY 31, 2008 continued

rate note obligations outstanding at that date. Contractual maturities of the floating rate note obligations and interest rates in effect at May 31, 2008 are presented in the Portfolio of Investments.

E. Interest Rate Swaps -- Interest rate swaps involve the exchange of commitments to pay and receive interest based on a notional principal amount. Net periodic interest payments to be received or paid are accrued daily and are recorded as realized gains or losses in the Statement of Operations. The Fund may pay or receive cash to collateralize interest rate swap contracts. This cash collateral is recorded as assets/liabilities on the Fund's books. Any cash received may be invested in Morgan Stanley Institutional Liquidity Funds.

F. Dividends and Distributions to Shareholders -- Dividends and distributions to shareholders are recorded on the ex-dividend date.

G. Futures Contracts -- A futures contract is an agreement between two parties to buy and sell financial instruments or contracts based on financial indices at a set price on a future date. Upon entering into such a contract, the Fund is required to pledge to the broker cash, U.S. Government securities or other liquid portfolio securities equal to the minimum initial margin requirements of the applicable futures exchange. Pursuant to the contract, the Fund agrees to receive from or pay to the broker an amount of cash equal to the daily fluctuation in the value of the contract. Such receipts or payments known as variation margin are recorded by the Fund as unrealized gains and losses. Upon closing of the contract, the Fund realizes a gain or loss equal to the difference between the value of the contract at the time it was opened and the value at the time it was closed.

H. Use of Estimates -- The preparation of financial statements in accordance with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts and disclosures. Actual results could differ from those estimates.

## 2. Investment Advisory/Administration Agreements

Pursuant to an Investment Advisory Agreement with Morgan Stanley Investment Advisors Inc. (the "Investment Adviser"), the Fund pays an advisory fee, calculated weekly and payable monthly, by applying the annual rate of 0.50% to the Fund's average weekly net assets.

Pursuant to an Administration Agreement with Morgan Stanley Services Company Inc. (the "Administrator"), an affiliate of the Investment Adviser, the Fund pays an administration fee, calculated weekly and payable monthly, by applying the annual rate of 0.08% to the Fund's average weekly net assets.

21

Morgan Stanley Municipal Income Opportunities Trust  
NOTES TO FINANCIAL STATEMENTS - MAY 31, 2008 continued

Under an agreement between the Administrator and State Street Bank and Trust Company ("State Street"), State Street provides certain administrative services to the Fund. For such services, the Administrator pays State Street a portion of the fee the Administrator receives from the Fund.

## 3. Security Transactions and Transactions with Affiliates

The Fund invests in Morgan Stanley Institutional Liquidity Tax-Exempt

Portfolio -- Institutional Class, an open-end management investment company managed by the Investment Adviser. Investment advisory fees paid by the Fund are reduced by an amount equal to the advisory and administrative service fees paid by Morgan Stanley Institutional Liquidity Tax-Exempt Portfolio -- Institutional Class with respect to assets invested by the Fund in Morgan Stanley Institutional Liquidity Tax-Exempt Portfolio -- Institutional Class. For the year ended May 31, 2008, advisory fees paid were reduced by \$1,373 relating to the Fund's investment in Morgan Stanley Institutional Liquidity Tax-Exempt Portfolio -- Institutional Class. Income distributions earned by the Fund are recorded as dividends from affiliate in the Statement of Operations and totaled \$44,540 for the year ended May 31, 2008. During the year ended May 31, 2008, cost of purchases and sales of investments in Morgan Stanley Institutional Liquidity Tax-Exempt Portfolio -- Institutional Class aggregated \$40,650,335 and \$40,650,335, respectively.

The cost of purchases and proceeds from sales of portfolio securities, excluding short-term investments, for the year ended May 31, 2008 aggregated \$58,136,064 and \$55,797,285, respectively. Included in the aforementioned transactions is a purchase and sales of \$537,510 and \$2,006,865, respectively, with other Morgan Stanley funds including net realized losses of \$301,672.

Effective September 28, 2007, the transfer agent services previously provided to the Fund by Morgan Stanley Trust was assumed by Computershare Trust Company, N.A. (the "Transfer Agent").

The Fund has an unfunded noncontributory defined benefit pension plan covering certain independent Trustees of the Fund who will have served as independent Trustees for at least five years at the time of retirement. Benefits under this plan are based on factors which include years of service and compensation. The Trustees voted to close the plan to new participants and eliminate the future benefits growth due to increases to compensation after July 31, 2003. Aggregate pension costs for the year ended May 31, 2008 included in Trustees' fees and expenses in the Statement of Operations amounted to \$6,002. At May 31, 2008, the Fund had an accrued pension liability of \$61,126 which is included in accrued expenses in the Statement of Assets and Liabilities.

The Fund has an unfunded Deferred Compensation Plan (the "Compensation Plan") which allows each independent Trustee to defer payment of all, or a portion, of the fees he or she receives for serving

22

Morgan Stanley Municipal Income Opportunities Trust  
NOTES TO FINANCIAL STATEMENTS - MAY 31, 2008 continued

on the Board of Trustees. Each eligible Trustee generally may elect to have the deferred amounts credited with a return equal to the total return on one or more of the Morgan Stanley funds that are offered as investment options under the Compensation Plan. Appreciation/depreciation and distributions received from these investments are recorded with an offsetting increase/decrease in the deferred compensation obligation and do not affect the net asset value of the Fund.

#### 4. Shares of Beneficial Interest

Transactions in shares of beneficial interest were as follows:

CAPITAL



Edgar Filing: MORGAN STANLEY MUNICIPAL INCOME OPPORTUNITIES TRUST - Form N-CSR

	SHARES	PAR VALUE OF SHARES	PAID IN EXCESS OF PAR VALUE
	-----	-----	-----
Balance, May 31, 2006.....	19,685,043	\$196,850	\$173,789,330
Reclassification due to permanent book/tax differences.....	--	--	28,177
Balance May 31, 2007.....	19,685,043	196,850	173,817,507
Treasury shares purchased and retired (weighted average discount 4.70%)+.....	(35,368)	(354)	(257,270)
Reclassification due to permanent book/tax differences.....	--	--	(3,781)
Balance May 31, 2008.....	19,649,675	\$196,496	\$173,556,456
	=====	=====	=====

-----  
+ The Trustees have voted to retire the shares purchased.

5. Dividends

The Fund declared the following dividends from net investment income:

DECLARATION DATE	AMOUNT PER SHARE	RECORD DATE	PAYABLE DATE
-----	-----	-----	-----
April 8, 2008	\$0.03875	June 20, 2008	June 27, 2008
July 8, 2008	\$0.03875	July 18, 2008	July 25, 2008
July 8, 2008	\$0.03875	August 22, 2008	August 29, 2008
July 8, 2008	\$0.03875	September 19, 2008	September 26, 2008

6. Federal Income Tax Status

The amount of dividends and distributions from net investment income and net realized capital gains are determined in accordance with federal income tax regulations which may differ from generally accepted accounting principles. These "book/tax" differences are either considered temporary or permanent in nature. To the extent these differences are permanent in nature, such amounts are reclassified within the capital accounts based on their federal tax-basis treatment; temporary

differences do not require reclassification. Dividends and distributions which exceed net investment income and net realized capital gains for tax purposes are reported as distributions of paid-in-capital.

Edgar Filing: MORGAN STANLEY MUNICIPAL INCOME OPPORTUNITIES TRUST - Form N-CSR

The tax character of distributions paid was as follows:

	FOR THE YEAR ENDED MAY 31, 2008	FOR THE YEAR ENDED MAY 31, 2007
	-----	-----
Tax-exempt income.....	\$9,638,541	\$10,629,071
Ordinary income.....	--	19,799
	-----	-----
Total distributions.....	\$9,638,541	\$10,648,870
	=====	=====

As of May 31, 2008, the tax-basis components of accumulated losses were as follows:

Undistributed tax-exempt income.....	\$ 808,898
Undistributed ordinary income.....	103,417
Undistributed long-term gains.....	--
	-----
Net accumulated earnings.....	912,315
Capital loss carryforward*.....	(20,057,497)
Post-October losses.....	(2,647,916)
Temporary differences.....	(62,436)
Net unrealized depreciation.....	(6,937,225)
	-----
Total accumulated losses.....	\$ (28,792,759)
	=====

-----  
 \* As of May 31, 2008, the Fund had a net capital loss carryforward of \$20,057,497, to offset future capital gains to the extent provided by regulations, which will expire according to the following schedule.

AMOUNT	EXPIRATION
\$3,930,059	May 31, 2009
1,864,080	May 31, 2011
4,876,449	May 31, 2013
9,386,909	May 31, 2016

As of May 31, 2008, the Fund had temporary book/tax differences primarily attributable to post-October losses (capital losses incurred after October 31 within the taxable year which are deemed to arise on the first business day of the Fund's next taxable year) and book amortization of discounts on debt securities.

Morgan Stanley Municipal Income Opportunities Trust  
 NOTES TO FINANCIAL STATEMENTS - MAY 31, 2008 continued

Permanent differences, due to a nondeductible expense and tax adjustments on debt securities sold by the Fund, resulted in the following reclassifications among the Fund's components of net assets at May 31, 2008:

ACCUMULATED UNDISTRIBUTED NET INVESTMENT INCOME	ACCUMULATED NET REALIZED LOSS	PAID-IN-CAPITAL
\$53,563 =====	\$(49,782) =====	\$(3,781) =====

#### 7. Expense Offset

The expense offset represents a reduction of the fees and expenses for interest earned on cash balances maintained by the Fund with the transfer agent and custodian.

#### 8. Purposes of and Risks Relating to Certain Financial Instruments

The Fund may invest a portion of its assets in inverse floating rate instruments, either through outright purchases of inverse floating rate securities or through the transfer of bonds to a Dealer Trust in exchange for cash and residual interests in the Dealer Trust. These investments are typically used by the Fund in seeking to enhance the yield of the portfolio. These instruments typically involve greater risks than a fixed rate municipal bond. In particular, these instruments are acquired through leverage or may have leverage embedded in them and therefore involve many of the risks associated with leverage. Leverage is a speculative technique that may expose the Fund to greater risk and increased costs. Leverage may cause the Fund's net asset value to be more volatile than if it had not been leveraged because leverage tends to magnify the effect of any increases or decreases in the value of the Fund's portfolio securities. The use of leverage may also cause the Fund to liquidate portfolio positions when it may not be advantageous to do so in order to satisfy its obligations with respect to inverse floating rate instruments.

To hedge against adverse interest rate changes, the Fund may invest in financial futures contracts or municipal bond index futures contracts ("futures contracts").

These futures contracts involve elements of market risk in excess of the amount reflected in the Statement of Assets and Liabilities. The Fund bears the risk of an unfavorable change in the value of the underlying securities. Risks may also arise upon entering into these contracts from the potential inability of the counterparties to meet the terms of their contracts.

The Fund may enter into interest rate swaps and may purchase or sell interest rate caps, floors and collars. The Fund expects to enter into these transactions primarily to manage interest rate risk,

Morgan Stanley Municipal Income Opportunities Trust  
 NOTES TO FINANCIAL STATEMENTS - MAY 31, 2008 continued

hedge portfolio positions and preserve a return or spread on a particular investment or portion of its portfolio. The Fund may also enter into these transactions to protect against any increase in the price of securities the Fund anticipates purchasing at a later date. Interest rate swap transactions are subject to market risk, risk of default by the other party to the transaction, risk of imperfect correlation and manager risk. Such risks may exceed the related amounts shown in the Statement of Assets and Liabilities.

9. Accounting Pronouncements

On March 19, 2008, FASB released Statement of Financial Accounting Standards No. 161, "Disclosures about Derivative Instruments and Hedging Activities ("SFAS 161"). SFAS 161 requires qualitative disclosures about objectives and strategies for using derivatives, quantitative disclosures about fair value amounts of gains and losses on derivative instruments, and disclosures about credit-risk-related contingent features in derivative agreements. The application of SFAS 161 is required for fiscal year after November 15, 2008 and interim periods within those fiscal years. At this time, management is evaluating the implications of SFAS 161 and its impact on the financial statements has not been determined.

In September 2006, Statement of Financial Accounting Standards No. 157, Fair Value Measurements ("SFAS 157"), was issued and is effective for fiscal years beginning after November 15, 2007. SFAS 157 defines fair value, establishes a framework for measuring fair value and expands disclosures about fair value measurements. Management is currently evaluating the impact the adoption of SFAS 157 will have on the Fund's financial statement disclosures.

26

Morgan Stanley Municipal Income Opportunities Trust  
 FINANCIAL HIGHLIGHTS

Selected ratios and per share data for a share of beneficial interest outstanding throughout each period:

	FOR THE YEAR ENDED MAY 31,			
	2008	2007	2006	2005
Selected Per Share Data:				
Net asset value, beginning of the period.....	\$8.28	\$8.02	\$8.00	
Income (loss) from investment operations:				
Net investment income(1).....	0.46	0.48	0.54	
Net realized and unrealized gain (loss)...	(0.87)	0.32	0.01	

Edgar Filing: MORGAN STANLEY MUNICIPAL INCOME OPPORTUNITIES TRUST - Form N-CSR

Total income (loss) from investment operations.....	----- (0.41) -----	----- 0.80 -----	----- 0.55 -----
Less dividends from net investment income....	----- (0.49) -----	----- (0.54) -----	----- (0.53) -----
Anti-dilutive effect of acquiring treasury shares(1).....	----- 0.00 (5) -----	----- -- -----	----- -- -----
Net asset value, end of period.....	\$7.38 =====	\$8.28 =====	\$8.02 =====
Market value, end of period.....	\$7.87 =====	\$9.68 =====	\$8.76 =====
Total Return(2).....	(13.65)%	16.99%	17.04%
Ratios to Average Net Assets:			
Total expenses (before expense offset).....	0.95 % (3) (4)	0.80% (4)	0.71%
Total expenses (before expense offset, exclusive of interest and residual trust expenses).....	0.72 % (3) (4)	0.72% (4)	0.71%
Net investment income.....	5.89 %	5.88%	6.78%
Supplemental Data:			
Net assets, end of period, in thousands.....	\$144,960	\$163,002	\$157,928 \$15
Portfolio turnover rate.....	35 %	26%	19%

-----

- (1) The per share amounts were computed using an average number of shares outstanding during the period.
- (2) Total return is based upon the current market value on the last day of each period reported. Dividends are assumed to be reinvested at the prices obtained under the Fund's dividend reinvestment plan. Total return does not reflect brokerage commissions.
- (3) Reflects rebate of certain Fund expenses in connection with the investments in Morgan Stanley Institutional Liquidity Tax-Exempt Portfolio -- Institutional Class during the period. As a result of such rebate, the expenses as a percentage of its new assets had an effect of less than 0.005%.
- (4) Does not reflect the effect of expenses offset of 0.01%.
- (5) Includes anti-dilutive effect of acquiring treasury shares of less than \$0.005.

See Notes to Financial Statements

27

Morgan Stanley Municipal Income Opportunities Trust  
INDEPENDENT AUDITORS' REPORT

To the Shareholders and Board of Trustees of  
Morgan Stanley Municipal Income Opportunities Trust:

We have audited the accompanying statement of assets and liabilities of Morgan Stanley Municipal Income Opportunities Trust (the "Fund"), including the portfolio of investments, as of May 31, 2008, and the related statements of operations for the year then ended, changes in cash flows for the year then ended, and changes in net assets for each of the two years in the period then ended, and the financial highlights for each of the five years in the period then ended. These financial statements and financial highlights are the responsibility of the Fund's management. Our responsibility is to express an opinion on these financial statements and financial highlights based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements and financial highlights are free of material misstatement. The Fund is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. Our audits included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Fund's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. Our procedures included confirmation of securities owned as of May 31, 2008, by correspondence with the custodian and brokers; where replies were not received from brokers, we performed other auditing procedures. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements and financial highlights referred to above present fairly, in all material respects, the financial position of Morgan Stanley Municipal Income Opportunities Trust as of May 31, 2008, the results of its operations for the year then ended, the changes in its cash flows for the year then ended, the changes in its net assets for each of the two years in the period then ended, and the financial highlights for each of the five years in the period then ended, in conformity with accounting principles generally accepted in the United States of America.

Deloitte & Touche LLP  
New York, New York  
July 28, 2008

28

Edgar Filing: MORGAN STANLEY MUNICIPAL INCOME OPPORTUNITIES TRUST - Form N-CSR

Morgan Stanley Municipal Income Opportunities Trust  
 SHAREHOLDER VOTING RESULTS (UNAUDITED)

On December 12, 2007, an annual meeting of the Fund's shareholders was held for the purpose of voting on the following matter, the results of which were as follows:

Election of Trustees:

	FOR	WITHHELD	ABSTAIN
	-----		
Michael F. Klein.....	17,950,049	637,223	0
Michael E. Nugent.....	17,931,732	655,540	0
W. Allen Reed.....	17,921,899	665,373	0

29

Morgan Stanley Municipal Income Opportunities Trust  
 PORTFOLIO MANAGEMENT/REVISED INVESTMENT POLICY (UNAUDITED)

Portfolio Management

As of the date of this report, the Fund is managed within the Morgan Stanley Municipals team. The team consists of portfolio managers and analysts. Current members of the team jointly and primarily responsible for the day-to-day management of the Fund's portfolio are Wayne Godlin, a Managing Director of the Investment Adviser, Gerald J. Lian, an Executive Director of the Investment Adviser, and Robert Stryker, a Vice President of the Investment Adviser.

Mr. Godlin has been associated with the investment Adviser in an investment management capacity since July 2001 and began managing the Fund in October 2001. Mr. Lian has been associated with the Investment Adviser in an investment management capacity since December 1991 and began managing the Fund in May 2003. Mr. Stryker has been associated with the Adviser in an investment management capacity since February 1994 and began managing the Fund in September 2007.

Revised Investment Policy

To the extent permitted by applicable law and the Fund's investment objectives, policies, and restrictions, the Fund may invest all or some of its short-term cash investments in any money market fund advised or managed by the Investment Adviser or its affiliates. In connection with any such investments, the Fund, to the extent permitted by the Investment Company Act, will pay its share of all expenses (other than advisory and administrative fees) of a money market fund in which it invests which may result in the Fund bearing some additional expenses.

The Board of Trustees Approved a Clarification in the Investment Policies Discussed Below

The Fund may invest in put and call options and futures on its portfolio securities. The Fund may use options and futures to protect against a decline in the Fund's securities or an increase in prices of securities that may be purchased or to adjust the Fund's yield curve exposure.

If the Fund invests in options and/or futures, its participation in these markets would subject the Fund's portfolio to certain risks. If the Investment Adviser's predictions of movements in the direction of the markets are inaccurate, the adverse consequences to the Fund (e.g., a reduction in the Fund's net asset value or a reduction in the amount of income available for distribution) may leave the Fund in a worse position than if these strategies were not used. Other risks inherent in the use of options and futures include, for example, the possible imperfect correlation between the price of options and futures contracts and movements in the prices of the securities being hedged. With respect to futures contracts, this correlation may be further distorted since the futures contracts that are being used to hedge are not based on municipal obligations. There is also the possibility of an absence of a liquid

30

Morgan Stanley Municipal Income Opportunities Trust  
PORTFOLIO MANAGEMENT/REVISED INVESTMENT POLICY (UNAUDITED) continued

secondary market for any particular instrument. Certain options may be over-the-counter options which are options negotiated with dealers; there is no secondary market for these investments and therefore may be difficult to value. If the Fund uses an option or futures transaction as an alternative to purchasing or selling an underlying instrument in order to obtain desired exposure, the Fund will be exposed to the same risks as are incurred in purchasing and selling the underlying instrument directly.

31

Morgan Stanley Municipal Income Opportunities Trust  
DIVIDEND REINVESTMENT PLAN (UNAUDITED)

The dividend reinvestment plan (the "Plan") offers you a prompt and simple way to reinvest your dividends and capital gains distributions into additional shares of the Fund. Under the Plan, the money you earn from dividends and capital gains distributions will be reinvested automatically in more shares of the Fund, allowing you to potentially increase your investment over time. All shareholders in the Fund are automatically enrolled in the Plan when shares are purchased.

#### PLAN BENEFITS

##### - ADD TO YOUR ACCOUNT

You may increase your shares in the Fund easily and automatically with the Plan.

##### - LOW TRANSACTION COSTS

Transaction costs are low because the new shares are bought in blocks and the brokerage commission is shared among all participants.

##### - CONVENIENCE

You will receive a detailed account statement from Computershare Trust Company, N.A., which administers the Plan, whenever shares are reinvested for you. The statement shows your total distributions, date of investment, shares acquired, and price per share, as well as the total number of shares in your reinvestment account. You can also access your account via the Internet. To do this, please



go to [morganstanley.com](http://morganstanley.com).

- SAFEKEEPING

Computershare Trust Company, N.A. will hold the shares it has acquired for you in safekeeping.

HOW TO PARTICIPATE IN THE PLAN

If you own shares in your own name, you can participate directly in the Plan. If your shares are held in "street name" -- in the name of your brokerage firm, bank, or other financial institution -- you must instruct that entity to participate on your behalf. If they are unable to participate on your behalf, you may request that they reregister your shares in your own name so that you may enroll in the Plan.

If you choose to participate in the Plan, whenever the Fund declares a dividend or capital gains distributions, it will be invested in additional shares of your Fund that are purchased in the open market.

HOW TO ENROLL

To enroll in the Plan, please read the Terms and Conditions in the Plan brochure. You can obtain a copy of the Plan Brochure and enroll in the Plan by visiting [morganstanley.com](http://morganstanley.com), calling toll-free (888) 421-4015 or notifying us in writing at Morgan Stanley Closed-End Funds, Computershare Trust Company, N.A., P.O. Box 43078, Providence, RI 02940-3078. Please include the Fund name and

32

Morgan Stanley Municipal Income Opportunities Trust  
DIVIDEND REINVESTMENT PLAN (UNAUDITED) continued

account number and ensure that all shareholders listed on the account sign these written instructions. Your participation in the Plan will begin with the next dividend or capital gains distribution payable after Computershare Trust Company, N.A. receives your authorization, as long as they receive it before the "record date," which is generally ten business days before the dividend is paid. If your authorization arrives after such record date, your participation in the Plan will begin with the following dividend or distribution.

COSTS OF THE PLAN

There is no direct charge to you for reinvesting dividends and capital gains distributions because the Plan's fees are paid by the Fund. However, when applicable, you will pay your portion of any brokerage commissions incurred when the new shares are purchased on the open market. These brokerage commissions are typically less than the standard brokerage charges for individual transactions, because shares are purchased for all participants in blocks, resulting in lower commissions for each individual participant. Any brokerage commissions or service fees are averaged into the purchase price.

TAX IMPLICATIONS

The automatic reinvestment of dividends and capital gains distributions does not relieve you of any income tax that may be due on dividends or distributions. You will receive tax information annually to help you prepare your federal and state income tax returns.

Morgan Stanley does not offer tax advice. The tax information contained herein is general and is not exhaustive by nature. It was not intended or written to be used, and it cannot be used by any taxpayer, for avoiding penalties that may be imposed on the taxpayer under U.S. federal tax laws. Federal and state tax laws are complex and constantly changing. Shareholders should always consult a legal or tax advisor for information concerning their individual situation.

HOW TO WITHDRAW FROM THE PLAN

To withdraw from the Plan, please visit [morganstanley.com](http://morganstanley.com) or call (888) 421-4015 or notify us in writing at the address below.

Morgan Stanley Closed-End Funds  
Computershare Trust Company, N.A.  
P.O. Box 43078  
Providence, RI 02940-3078

33

Morgan Stanley Municipal Income Opportunities Trust  
DIVIDEND REINVESTMENT PLAN (UNAUDITED) continued

All shareholders listed on the account must sign any written withdrawal instructions. If you withdraw, you have three options with regard to the shares held in your account:

1. If you opt to continue to hold your non-certificated shares, they will be held by Computershare Trust Company, N.A.
2. If you opt to sell your shares through Morgan Stanley, we will sell all full and fractional shares and send the proceeds via check to your address of record after deducting brokerage commissions.
3. You may sell your shares through your financial advisor through the Direct Registration System ("DRS"). DRS is a service within the securities industry that allows Fund shares to be held in your name in electronic format. You retain full ownership of your shares, without having to hold a stock certificate.

The Fund and Computershare Trust Company, N.A. may amend or terminate the Plan. Participants will receive written notice at least 30 days before the effective date of any amendment. In the case of termination, Participants will receive written notice at least 30 days before the record date for the payment of any dividend or capital gains distribution by the Fund. In the case of amendment or termination necessary or appropriate to comply with applicable law or the rules and policies of the Securities and Exchange Commission or any other regulatory authority, such written notice will not be required.

TO OBTAIN A COMPLETE COPY OF THE DIVIDEND REINVESTMENT PLAN, PLEASE CALL OUR CLIENT RELATIONS DEPARTMENT AT 888-421-4015 OR VISIT [MORGANSTANLEY.COM](http://MORGANSTANLEY.COM).

34

Morgan Stanley Municipal Income Opportunities Trust  
MORGAN STANLEY ADVISOR CLOSED END FUNDS  
AN IMPORTANT NOTICE CONCERNING OUR U.S. PRIVACY POLICY (UNAUDITED)

We are required by federal law to provide you with a copy of our Privacy Policy annually.

The following Policy applies to current and former individual investors in Morgan Stanley Advisor closed end funds. This Policy is not applicable to

partnerships, corporations, trusts or other non-individual clients or account holders. Please note that we may amend this Policy at any time, and will inform you of any changes to this Policy as required by law.

#### WE RESPECT YOUR PRIVACY

We appreciate that you have provided us with your personal financial information. We strive to maintain the privacy of such information while we help you achieve your financial objectives. This Policy describes what non-public personal information we collect about you, why we collect it, and when we may share it with others. We hope this Policy will help you understand how we collect and share non-public personal information that we gather about you. Throughout this Policy, we refer to the non-public information that personally identifies you or your accounts as "personal information."

#### 1. WHAT PERSONAL INFORMATION DO WE COLLECT ABOUT YOU?

To serve you better and manage our business, it is important that we collect and maintain accurate information about you. We may obtain this information from applications and other forms you submit to us, from your dealings with us, from consumer reporting agencies, from our Web sites and from third parties and other sources.

#### FOR EXAMPLE:

- We may collect information such as your name, address, e-mail address, telephone/fax numbers, assets, income and investment objectives through applications and other forms you submit to us.
- We may obtain information about account balances, your use of account(s) and the types of products and services you prefer to receive from us through your dealings and transactions with us and other sources.
- We may obtain information about your creditworthiness and credit history from consumer reporting agencies.
- We may collect background information from and through third-party vendors to verify representations you have made and to comply with various regulatory requirements.
- If you interact with us through our public and private Web sites, we may collect information that you provide directly through online communications (such as an e-mail address). We may also collect information about your Internet service provider, your domain name, your computer's operating system and Web browser, your use of our Web sites and your product and service preferences,

35

through the use of "cookies." "Cookies" recognize your computer each time you return to one of our sites, and help to improve our sites' content and personalize your experience on our sites by, for example, suggesting offerings that may interest you. Please consult the Terms of Use of these sites for more details on our use of cookies.

#### 2. WHEN DO WE DISCLOSE PERSONAL INFORMATION WE COLLECT ABOUT YOU?

To provide you with the products and services you request, to serve you better and to manage our business, we may disclose personal information we collect about you to our affiliated companies and to non-affiliated third parties as required or permitted by law.

A. INFORMATION WE DISCLOSE TO OUR AFFILIATED COMPANIES. We do not disclose

Edgar Filing: MORGAN STANLEY MUNICIPAL INCOME OPPORTUNITIES TRUST - Form N-CSR

personal information that we collect about you to our affiliated companies except to enable them to provide services on our behalf or as otherwise required or permitted by law.

B. INFORMATION WE DISCLOSE TO THIRD PARTIES. We do not disclose personal information that we collect about you to non-affiliated third parties except to enable them to provide services on our behalf, to perform joint marketing agreements with other financial institutions, or as otherwise required or permitted by law. For example, some instances where we may disclose information about you to nonaffiliated third parties include: for servicing and processing transactions, to offer our own products and services, to protect against fraud, for institutional risk control, to respond to judicial process or to perform services on our behalf. When we share personal information with these companies, they are required to limit their use of personal information to the particular purpose for which it was shared and they are not allowed to share personal information with others except to fulfill that limited purpose.

3. HOW DO WE PROTECT THE SECURITY AND CONFIDENTIALITY OF PERSONAL INFORMATION WE COLLECT ABOUT YOU?

We maintain physical, electronic and procedural security measures to help safeguard the personal information we collect about you. We have internal policies governing the proper handling of client information. Third parties that provide support or marketing services on our behalf may also receive personal information, and we require them to adhere to confidentiality standards with respect to such information.

36

Morgan Stanley Municipal Income Opportunities Trust  
TRUSTEE AND OFFICER INFORMATION (UNAUDITED)

Independent Trustees:

Name, Age and Address of Independent Trustee	Position(s) Held with Registrant	Term of Office and Length of Time Served*	Principal Occupation(s) During Past 5 Years	Number of Portfolios in Fund Complex Overseen by Independent Trustee**
Frank L. Bowman (63) c/o Kramer Levin Naftalis & Frankel LLP Counsel to the Independent Trustees 1177 Avenue of the Americas New York, NY 10036	Trustee	Since August 2006	President and Chief Executive Officer of the Nuclear Energy Institute (policy organization) (since February 2005); Director or Trustee of various Retail Funds and Institutional Funds (since August 2006); Chairperson of the Insurance Sub-Committee of the Insurance, Valuation and Compliance Committee (since February 2007); formerly variously, Admiral in the	180

Edgar Filing: MORGAN STANLEY MUNICIPAL INCOME OPPORTUNITIES TRUST - Form N-CSR

U.S. Navy, Director of Naval Nuclear Propulsion Program and Deputy Administrator-Naval Reactors in the National Nuclear Security Administration at the U.S. Department of Energy (1996-2004). Honorary Knight Commander of the Most Excellent Order of the British Empire.

<p>Michael Bozic (67)                  c/o Kramer Levin                  Naftalis &amp; Frankel                  LLP                  Counsel to the                  Independent Trustees                  1177 Avenue of the                  Americas                  New York, NY 10036</p>	<p>Trustee</p>	<p>Since April 1994</p>	<p>Private investor;                  Chairperson of the                  Insurance, Valuation and                  Compliance Committee                  (since October 2006);                  Director or Trustee of                  the Retail Funds (since                  April 1994) and the                  Institutional Funds                  (since July 2003);                  formerly Chairperson of                  the Insurance Committee                  (July 2006-September                  2006); Vice Chairman of                  Kmart Corporation                  (December 1998-October                  2000), Chairman and Chief                  Executive Officer of                  Levitz Furniture                  Corporation (November                  1995-November 1998) and                  President and Chief                  Executive Officer of                  Hills Department Stores                  (May 1991-July 1995);                  variously Chairman, Chief                  Executive Officer,                  President and Chief                  Operating Officer (1987-                  1991) of the Sears                  Merchandise Group of                  Sears, Roebuck &amp; Co.</p>	<p>182</p>
----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------	----------------	-------------------------	------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------	------------

37

Morgan Stanley Municipal Income Opportunities Trust  
 TRUSTEE AND OFFICER INFORMATION (UNAUDITED) continued

Number of  
 Portfolios in  
 Fund Complex

Edgar Filing: MORGAN STANLEY MUNICIPAL INCOME OPPORTUNITIES TRUST - Form N-CSR

Name, Age and Address of Independent Trustee	Position(s) Held with Registrant	Term of Office and Length of Time Served*	Principal Occupation(s) During Past 5 Years	Overseen by Independent Trustee**
<p>Kathleen A. Dennis (54)  c/o Kramer Levin Naftalis &amp; Frankel LLP  Counsel to the Independent Trustees  1177 Avenue of the Americas  New York, NY 10036</p>	<p>Trustee</p>	<p>Since August 2006</p>	<p>President, Cedarwood Associates (mutual fund and investment management) (since July 2006); Chairperson of the Money Market and Alternatives Sub-Committee of the Investment Committee (since October 2006) and Director or Trustee of various Retail Funds and Institutional Funds (since August 2006); formerly, Senior Managing Director of Victory Capital Management (1993-2006).</p>	<p>180</p>
<p>Dr. Manuel H. Johnson (59)  c/o Johnson Smick Group, Inc.  888 16th Street, N.W.  Suite 740  Washington, D.C.  20006</p>	<p>Trustee</p>	<p>Since July 1991</p>	<p>Senior Partner, Johnson Smick International, Inc., (consulting firm); Chairperson of the Investment Committee (since October 2006) and Director or Trustee of the Retail Funds (since July 1991) and the Institutional Funds (since July 2003); Co-Chairman and a founder of the Group of Seven Council (G7C), (international economic commission); formerly Chairperson of the Audit Committee (July 1991-September 2006); Vice Chairman of the Board of Governors of the Federal Reserve System and Assistant Secretary of the U.S. Treasury.</p>	<p>182</p>

Edgar Filing: MORGAN STANLEY MUNICIPAL INCOME OPPORTUNITIES TRUST - Form N-CSR

Name, Age and Address of Independent Trustee	Position(s) Held with Registrant	Term of Office and Length of Time Served*	Principal Occupation(s) During Past 5 Years	Number of Portfolios in Fund Complex Overseen by Independent Trustee**
Joseph J. Kearns (65) c/o Kearns & Associates LLC PMB754 23852 Pacific Coast Highway Malibu, CA 90265	Trustee	Since August 1994	President, Kearns & Associates LLC (investment consulting); Chairperson of the Audit Committee (since October 2006) and Director or Trustee of the Retail Funds (since July 2003) and the Institutional Funds (since August 1994); formerly, Deputy Chairperson of the Audit Committee (July 2003-September 2006) and Chairperson of the Audit Committee of the Institutional Funds (October 2001-July 2003); formerly CFO of the J. Paul Getty Trust.	183
Michael F. Klein (49) c/o Kramer Levin Naftalis & Frankel LLP Counsel to the Independent Trustees 1177 Avenue of the Americas New York, NY 10036	Trustee	Since August 2006	Managing Director, Aetos Capital, LLC (since March 2000) and Co-President, Aetos Alternatives Management, LLC (since January 2004); Chairperson of the Fixed-Income Sub-Committee of the Investment Committee (since October 2006) and Director or Trustee of various Retail Funds and Institutional Funds (since August 2006); formerly Managing Director, Morgan Stanley & Co. Inc. and Morgan Stanley Dean Witter Investment Management, President, Morgan Stanley Institutional Funds (June 1998-March 2000) and Principal, Morgan Stanley & Co. Inc. and Morgan Stanley Dean Witter Investment Management (August 1997-December 1999).	180

Morgan Stanley Municipal Income Opportunities Trust  
TRUSTEE AND OFFICER INFORMATION (UNAUDITED) continued

Name, Age and Address of Independent Trustee	Position(s) Held with Registrant	Term of Office and Length of Time Served*	Principal Occupation(s) During Past 5 Years	Number of Portfolios in Fund Complex Overseen by Independent Trustee**
Michael E. Nugent (72) c/o Triumph Capital, L.P. 445 Park Avenue New York, NY 10022	Chairperson of the Board and Trustee	Chairperson of the Boards since July 2006 and Trustee since July 1991	General Partner of Triumph Capital, L.P. (private investment partnership); Chairperson of the Boards of the Retail Funds and Institutional Funds (since July 2006) and Director or Trustee of the Retail Funds (since July 1991) and the Institutional Funds (since July 2001); formerly Chairperson of the Insurance Committee (until July 2006).	182
W. Allen Reed (61) c/o Kramer Levin Naftalis & Frankel LLP Counsel to the Independent Trustees 1177 Avenue of the Americas New York, NY 10036	Trustee	Since August 2006	Chairperson of the Equity Sub-Committee of the Investment Committee (since October 2006) and Director or Trustee of various Retail Funds and Institutional Funds (since August 2006); President and CEO of General Motors Asset Management; formerly, Chairman and Chief Executive Officer of the GM Trust Bank and Corporate Vice President of General Motors Corporation (August 1994-December 2005).	180
Fergus Reid (75) c/o Lumelite Plastics Corporation 85 Charles Colman Blvd. Pawling, NY 12564	Trustee	Since June 1992	Chairman of Lumelite Plastics Corporation; Chairperson of the Governance Committee and Director or Trustee of the Retail Funds (since July 2003) and the	183



Institutional Funds  
(since June 1992).

40

Morgan Stanley Municipal Income Opportunities Trust  
TRUSTEE AND OFFICER INFORMATION (UNAUDITED) continued

Interested Trustee:

Name, Age and Address of Interested Trustee	Position(s) Held with Registrant	Term of Office and Length of Time Served*	Principal Occupation(s) During Past 5 Years	Number of Portfolio Fund Complexes Overseen by Trustee
James F. Higgins (60) c/o Morgan Stanley Trust Harborside Financial Center Plaza Two Jersey City, NJ 07311	Trustee	Since June 2000	Director or Trustee of the Retail Funds (since June 2000) and the Institutional Funds (since July 2003); Senior Advisor of Morgan Stanley (since August 2000).	181

\* This is the earliest date the Trustee began serving the funds advised by Morgan Stanley Investment Advisors Inc. (the "Investment Adviser") (the "Retail Funds") or the funds advised by Morgan Stanley Investment Management Inc. and Morgan Stanley AIP GP LP (the "Institutional Funds").

\*\* The Fund Complex includes all open-end and closed-end funds (including all of their portfolios) advised by the Investment Adviser and any funds that have an investment adviser that is an affiliated person of the Investment Adviser (including, but not limited to, Morgan Stanley Investment Management Inc.).

41

Morgan Stanley Municipal Income Opportunities Trust  
TRUSTEE AND OFFICER INFORMATION (UNAUDITED) continued

Executive Officers:

Edgar Filing: MORGAN STANLEY MUNICIPAL INCOME OPPORTUNITIES TRUST - Form N-CSR

Name, Age and Address of Executive Officer	Position(s) Held with Registrant	Term of Office and Length of Time Served*	Principal Occupation(s) During
<p>Ronald E. Robison (69) 1221 Avenue of the Americas New York, NY 10020</p>	<p>President and Principal Executive Officer</p>	<p>President since September 2005 and Principal Executive Officer since May 2003</p>	<p>President (since September 2005); Executive Officer (since May 2003) of the Fund Complex; President (since May 2005) and Principal Executive Officer of the Van Kampen Funds; Director, Director and/or Officer Investment Adviser and various entities affiliated with the Investment Adviser of Morgan Stanley SICAV (since May 2004). Formerly, Executive Vice President (from May 2003 to September 2005) of the Fund Complex and the Van Kampen Funds; Director of the Institutional Funds (from July 2003 to July 2003); Chief Administrative Officer of the Investment Adviser; Chief Administrative Officer of Morgan Stanley Services</p>
<p>Kevin Klingert (45) 522 Fifth Avenue New York, NY 10036</p>	<p>Vice President</p>	<p>Since June 2008</p>	<p>Chief Operating Officer of the Global Income Group of Morgan Stanley Investment Management Inc. and Morgan Stanley Advisors Inc. (since March 2008). Global Liquidity Portfolio Manager; Head of Liquidity Credit Research at Morgan Stanley Investment Management (since July 2007). Managing Director of Morgan Stanley Investment Management Inc. and Morgan Stanley Investment Advisors Inc. (since December 2007). Previously, Managing Director on the Investment Committee and head of Municipal Portfolio Management and Liquidity at BlackRock (from 1991 to January 2007).</p>
<p>Dennis F. Shea (55) 1221 Avenue of the Americas New York, NY 10020</p>	<p>Vice President</p>	<p>Since February 2006</p>	<p>Managing Director and (since February 2006) Chief Investment Officer -- Global Income Group of Morgan Stanley Investment Management Inc. President of the Retail and Institutional Funds (since February 2006). Formerly, Managing Director and Director of Global Equity at Morgan Stanley.</p>
<p>Amy R. Doberman (46) 1221 Avenue of the Americas New York, NY 10020</p>	<p>Vice President</p>	<p>Since July 2004</p>	<p>Managing Director and General Counsel of the Institutional Investment Management of Morgan Stanley Investment Management (since July 2004). President of the Retail Funds and Institutional Funds (since July 2004); Secretary (since February 2004); Managing Director (since July 2004) of the Investment Adviser and various entities affiliated with the Investment Adviser. Formerly, Managing Director and General Counsel -- Americas, UBS Global Asset Management (July 2000 to July 2004).</p>
<p>Carsten Otto (44)</p>	<p>Chief</p>	<p>Since October</p>	<p>Managing Director and U.S. Director</p>

Edgar Filing: MORGAN STANLEY MUNICIPAL INCOME OPPORTUNITIES TRUST - Form N-CSR

1221 Avenue of the Americas New York, NY 10020	Compliance Officer	2004	Compliance for Morgan Stanley Investment Management (since October 2004); Director and Chief Compliance Officer of Morgan Stanley Investment Management. Formerly, Assistant Secretary and Assistant Counsel of the Retail Funds.
Stefanie V. Chang Yu (41) 1221 Avenue of the Americas New York, NY 10020	Vice President	Since December 1997	Managing Director of the Investment Management of various entities affiliated with Morgan Stanley Adviser; Vice President of the Retail Funds (since July 2002) and the Institutional Funds (since December 1997). Formerly, Managing Director of various entities affiliated with Morgan Stanley Adviser.

42

Morgan Stanley Municipal Income Opportunities Trust  
TRUSTEE AND OFFICER INFORMATION (UNAUDITED) continued

Name, Age and Address of Executive Officer	Position(s) Held with Registrant	Term of Office and Length of Time Served*	Principal Occupation(s) During
-----	-----	-----	-----
Francis J. Smith (42) c/o Morgan Stanley Trust Harborside Financial Center Plaza Two Jersey City, NJ 07311	Treasurer and Chief Financial Officer	Treasurer since July 2003 and Chief Financial Officer since September 2002	Executive Director of the Investment Management of various entities affiliated with Morgan Stanley Adviser; Treasurer and Chief Financial Officer of the Retail Funds (since July 2003) and the Institutional Funds (since July 2002 to July 2003).
Mary E. Mullin (41) 1221 Avenue of the Americas New York, NY 10020	Secretary	Since June 1999	Executive Director of the Investment Management of various entities affiliated with Morgan Stanley Adviser; Secretary of the Retail Funds (since July 2003) and the Institutional Funds (since June 1999).

-----  
\* This is the earliest date the Officer began serving the Retail Funds or the Institutional Funds.

In accordance with Section 303A.12(a) of the New York Stock Exchange Listed Company Manual, the Fund's Annual CEO Certification certifying as to compliance with NYSE's Corporate Governance Listing Standards was submitted to the Exchange on January 1, 2008.

The Fund's Principal Executive Officer and Principal Financial Officer Certifications required by Section 302 of the Sarbanes-Oxley Act of 2002 were filed with the Fund's N-CSR and are available on the Securities and Exchange Commission's Web site at <http://www.sec.gov>.

2008 FEDERAL TAX NOTICE (UNAUDITED)

For Federal income tax purposes, the following information is furnished with respect to the distributions paid by the Fund during its taxable year ended May 31, 2008. The Fund designated 100% of its income dividends as tax exempt income dividends.

In January, the Fund provides tax information to shareholders for the preceding calendar year.

43

TRUSTEES

Frank L. Bowman  
Michael Bozic  
Kathleen A. Dennis  
James F. Higgins  
Dr. Manuel H. Johnson  
Joseph J. Kearns  
Michael F. Klein  
Michael E. Nugent  
W. Allen Reed  
Fergus Reid

OFFICERS

Michael E. Nugent  
Chairperson of the Board

Ronald E. Robison  
President and Principal Executive Officer

Kevin Klingert  
Vice President

Dennis F. Shea  
Vice President

Amy R. Doberman  
Vice President

Carsten Otto  
Chief Compliance Officer

Stefanie V. Chang Yu  
Vice President

Francis J. Smith  
Treasurer and Chief Financial Officer

Edgar Filing: MORGAN STANLEY MUNICIPAL INCOME OPPORTUNITIES TRUST - Form N-CSR

Mary E. Mullin  
Secretary

TRANSFER AGENT

Computershare Trust Company, N.A.  
P.O. Box 43078  
Providence, RI 02940-3078

INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

Deloitte & Touche LLP  
Two World Financial Center  
New York, New York 10281

LEGAL COUNSEL

Clifford Chance US LLP  
31 West 52nd Street  
New York, New York 10019

COUNSEL TO THE INDEPENDENT TRUSTEES

Kramer Levin Naftalis & Frankel LLP  
1177 Avenue of the Americas  
New York, New York 10036

INVESTMENT ADVISER

Morgan Stanley Investment Advisors Inc.  
522 Fifth Avenue  
New York, New York 10036

(c) 2008 Morgan Stanley

[MORGAN STANLEY LOGO]

MORGAN STANLEY FUNDS

Morgan Stanley  
Municipal Income  
Opportunities Trust  
NYSE: OIA

Annual Report  
May 31, 2008

OIAANN  
IU08-03903P-Y05/08

Item 2. Code of Ethics.

(a) The Trust/Fund has adopted a code of ethics (the "Code of Ethics") that applies to its principal executive officer, principal financial officer,

Edgar Filing: MORGAN STANLEY MUNICIPAL INCOME OPPORTUNITIES TRUST - Form N-CSR

principal accounting officer or controller, or persons performing similar functions, regardless of whether these individuals are employed by the Trust/Fund or a third party.

(b) No information need be disclosed pursuant to this paragraph.

(c) Not applicable.

(d) Not applicable.

(e) Not applicable.

(f)

(1) The Trust/Fund's Code of Ethics is attached hereto as Exhibit 12 A.

(2) Not applicable.

(3) Not applicable.

Item 3. Audit Committee Financial Expert.

The Fund's Board of Trustees has determined that Joseph J. Kearns, an "independent" Trustee, is an "audit committee financial expert" serving on its audit committee. Under applicable securities laws, a person who is determined to be an audit committee financial expert will not be deemed an "expert" for any purpose, including without limitation for the purposes of Section 11 of the Securities Act of 1933, as a result of being designated or identified as an audit committee financial expert. The designation or identification of a person as an audit committee financial expert does not impose on such person any duties, obligations, or liabilities that are greater than the duties, obligations, and liabilities imposed on such person as a member of the audit committee and Board of Trustees in the absence of such designation or identification.

Item 4. Principal Accountant Fees and Services.

(a) (b) (c) (d) and (g). Based on fees billed for the periods shown:

2

2008

	REGISTRANT -----	COVERED ENTITIES (1) -----
AUDIT FEES.....	\$32,375	N/A
NON-AUDIT FEES		
AUDIT-RELATED FEES...	\$ _____ (2)	\$4,336,000 (2)
TAX FEES.....	\$ 4,738 (3)	\$ 762,000 (3)
ALL OTHER FEES.....	\$ _____	\$ _____
TOTAL NON-AUDIT FEES...	\$ 4,738	\$5,098,000
TOTAL.....	\$37,113	\$5,098,000

2007

	REGISTRANT -----	COVERED ENTITIES (1) -----
AUDIT FEES.....	\$32,000	N/A
NON-AUDIT FEES		
AUDIT-RELATED FEES...	\$ 531 (2)	\$4,836,000 (2)
TAX FEES.....	\$ 4,600 (3)	\$ 621,000 (3)
ALL OTHER FEES.....	\$ --	\$_____ (5)
TOTAL NON-AUDIT FEES...	\$ 5,131	\$5,457,000
TOTAL.....	\$37,131	\$5,457,000

N/A- Not applicable, as not required by Item 4.

- (1) Covered Entities include the Adviser (excluding sub-advisors) and any entity controlling, controlled by or under common control with the Adviser that provides ongoing services to the Registrant.
- (2) Audit-Related Fees represent assurance and related services provided that are reasonably related to the performance of the audit of the financial statements of the Covered Entities' and funds advised by the Adviser or its affiliates, specifically data verification and agreed-upon procedures related to asset securitizations and agreed-upon procedures engagements.
- (3) Tax Fees represent tax compliance, tax planning and tax advice services provided in connection with the preparation and review of the Registrant's tax returns.
- (4) Tax Fees represent tax compliance, tax planning and tax advice services provided in connection with the review of Covered Entities' tax returns.
- (5) All other fees represent project management for future business applications and improving business and operational processes.

3

(e) (1) The audit committee's pre-approval policies and procedures are as follows:

APPENDIX A

AUDIT COMMITTEE  
AUDIT AND NON-AUDIT SERVICES  
PRE-APPROVAL POLICY AND PROCEDURES  
OF THE  
MORGAN STANLEY RETAIL AND INSTITUTIONAL FUNDS

AS ADOPTED AND AMENDED JULY 23, 2004, (1)

1. STATEMENT OF PRINCIPLES

The Audit Committee of the Board is required to review and, in its sole discretion, pre-approve all Covered Services to be provided by the Independent Auditors to the Fund and Covered Entities in order to assure that services performed by the Independent Auditors do not impair the auditor's independence

from the Fund.

The SEC has issued rules specifying the types of services that an independent auditor may not provide to its audit client, as well as the audit committee's administration of the engagement of the independent auditor. The SEC's rules establish two different approaches to pre-approving services, which the SEC considers to be equally valid. Proposed services either: may be pre-approved without consideration of specific case-by-case services by the Audit Committee ("general pre-approval"); or require the specific pre-approval of the Audit Committee or its delegate ("specific pre-approval"). The Audit Committee believes that the combination of these two approaches in this Policy will result in an effective and efficient procedure to pre-approve services performed by the Independent Auditors. As set forth in this Policy, unless a type of service has received general pre-approval, it will require specific pre-approval by the Audit Committee (or by any member of the Audit Committee to which pre-approval authority has been delegated) if it is to be provided by the Independent Auditors. Any proposed services exceeding pre-approved cost levels or budgeted amounts will also require specific pre-approval by the Audit Committee.

The appendices to this Policy describe the Audit, Audit-related, Tax and All Other services that have the general pre-approval of the Audit Committee. The term of any general pre-approval is 12 months from the date of pre-approval, unless the Audit Committee considers and provides a different period and states otherwise. The Audit Committee will annually review and pre-approve the services that may be provided by the Independent Auditors without obtaining specific pre-approval from the Audit Committee. The Audit Committee will add to or subtract from the list of general pre-approved services from time to time, based on subsequent determinations.

-----

- (1) This Audit Committee Audit and Non-Audit Services Pre-Approval Policy and Procedures (the "Policy"), adopted as of the date above, supersedes and replaces all prior versions that may have been adopted from time to time.

4

The purpose of this Policy is to set forth the policy and procedures by which the Audit Committee intends to fulfill its responsibilities. It does not delegate the Audit Committee's responsibilities to pre-approve services performed by the Independent Auditors to management.

The Fund's Independent Auditors have reviewed this Policy and believes that implementation of the Policy will not adversely affect the Independent Auditors' independence.

## 2. DELEGATION

As provided in the Act and the SEC's rules, the Audit Committee may delegate either type of pre-approval authority to one or more of its members. The member to whom such authority is delegated must report, for informational purposes only, any pre-approval decisions to the Audit Committee at its next scheduled meeting.

## 3. AUDIT SERVICES

The annual Audit services engagement terms and fees are subject to the specific pre-approval of the Audit Committee. Audit services include the annual financial statement audit and other procedures required to be performed by the Independent Auditors to be able to form an opinion on the Fund's financial statements. These



other procedures include information systems and procedural reviews and testing performed in order to understand and place reliance on the systems of internal control, and consultations relating to the audit. The Audit Committee will approve, if necessary, any changes in terms, conditions and fees resulting from changes in audit scope, Fund structure or other items.

In addition to the annual Audit services engagement approved by the Audit Committee, the Audit Committee may grant general pre-approval to other Audit services, which are those services that only the Independent Auditors reasonably can provide. Other Audit services may include statutory audits and services associated with SEC registration statements (on Forms N-1A, N-2, N-3, N-4, etc.), periodic reports and other documents filed with the SEC or other documents issued in connection with securities offerings.

The Audit Committee has pre-approved the Audit services in Appendix B.1. All other Audit services not listed in Appendix B.1 must be specifically pre-approved by the Audit Committee (or by any member of the Audit Committee to which pre-approval has been delegated).

#### 4. AUDIT-RELATED SERVICES

Audit-related services are assurance and related services that are reasonably related to the performance of the audit or review of the Fund's financial statements and, to the extent they are Covered Services, the Covered Entities or that are traditionally performed by the Independent Auditors. Because the Audit Committee believes that the provision of Audit-related services does not impair the independence of the auditor and is consistent with the SEC's rules on auditor independence, the Audit Committee may grant general pre-approval to Audit-related services. Audit-related services include, among others, accounting consultations related to accounting, financial reporting or disclosure matters

5

not classified as "Audit services"; assistance with understanding and implementing new accounting and financial reporting guidance from rulemaking authorities; agreed-upon or expanded audit procedures related to accounting and/or billing records required to respond to or comply with financial, accounting or regulatory reporting matters; and assistance with internal control reporting requirements under Forms N-SAR and/or N-CSR.

The Audit Committee has pre-approved the Audit-related services in Appendix B.2. All other Audit-related services not listed in Appendix B.2 must be specifically pre-approved by the Audit Committee (or by any member of the Audit Committee to which pre-approval has been delegated).

#### 5. TAX SERVICES

The Audit Committee believes that the Independent Auditors can provide Tax services to the Fund and, to the extent they are Covered Services, the Covered Entities, such as tax compliance, tax planning and tax advice without impairing the auditor's independence, and the SEC has stated that the Independent Auditors may provide such services.

Pursuant to the preceding paragraph, the Audit Committee has pre-approved the Tax Services in Appendix B.3. All Tax services in Appendix B.3 must be specifically pre-approved by the Audit Committee (or by any member of the Audit Committee to which pre-approval has been delegated).

#### 6. ALL OTHER SERVICES

The Audit Committee believes, based on the SEC's rules prohibiting the Independent Auditors from providing specific non-audit services, that other types of non-audit services are permitted. Accordingly, the Audit Committee believes it may grant general pre-approval to those permissible non-audit services classified as All Other services that it believes are routine and recurring services, would not impair the independence of the auditor and are consistent with the SEC's rules on auditor independence.

The Audit Committee has pre-approved the All Other services in Appendix B.4. Permissible All Other services not listed in Appendix B.4 must be specifically pre-approved by the Audit Committee (or by any member of the Audit Committee to which pre-approval has been delegated).

#### 7. PRE-APPROVAL FEE LEVELS OR BUDGETED AMOUNTS

Pre-approval fee levels or budgeted amounts for all services to be provided by the Independent Auditors will be established annually by the Audit Committee. Any proposed services exceeding these levels or amounts will require specific pre-approval by the Audit Committee. The Audit Committee is mindful of the overall relationship of fees for audit and non-audit services in determining whether to pre-approve any such services.

#### 8. PROCEDURES

All requests or applications for services to be provided by the Independent Auditors that do not require specific approval by the Audit Committee will be submitted to the Fund's Chief Financial Officer and must include a detailed description of the services to be

6

rendered. The Fund's Chief Financial Officer will determine whether such services are included within the list of services that have received the general pre-approval of the Audit Committee. The Audit Committee will be informed on a timely basis of any such services rendered by the Independent Auditors. Requests or applications to provide services that require specific approval by the Audit Committee will be submitted to the Audit Committee by both the Independent Auditors and the Fund's Chief Financial Officer, and must include a joint statement as to whether, in their view, the request or application is consistent with the SEC's rules on auditor independence.

The Audit Committee has designated the Fund's Chief Financial Officer to monitor the performance of all services provided by the Independent Auditors and to determine whether such services are in compliance with this Policy. The Fund's Chief Financial Officer will report to the Audit Committee on a periodic basis on the results of its monitoring. Both the Fund's Chief Financial Officer and management will immediately report to the chairman of the Audit Committee any breach of this Policy that comes to the attention of the Fund's Chief Financial Officer or any member of management.

#### 9. ADDITIONAL REQUIREMENTS

The Audit Committee has determined to take additional measures on an annual basis to meet its responsibility to oversee the work of the Independent Auditors and to assure the auditor's independence from the Fund, such as reviewing a formal written statement from the Independent Auditors delineating all relationships between the Independent Auditors and the Fund, consistent with Independence Standards Board No. 1, and discussing with the Independent Auditors

its methods and procedures for ensuring independence.

10. COVERED ENTITIES

Covered Entities include the Fund's investment adviser(s) and any entity controlling, controlled by or under common control with the Fund's investment adviser(s) that provides ongoing services to the Fund(s). Beginning with non-audit service contracts entered into on or after May 6, 2003, the Fund's audit committee must pre-approve non-audit services provided not only to the Fund but also to the Covered Entities if the engagements relate directly to the operations and financial reporting of the Fund. This list of Covered Entities would include:

Morgan Stanley Retail Funds  
Morgan Stanley Investment Advisors Inc.  
Morgan Stanley & Co. Incorporated  
Morgan Stanley DW Inc.  
Morgan Stanley Investment Management Inc.  
Morgan Stanley Investment Management Limited  
Morgan Stanley Investment Management Private Limited  
Morgan Stanley Asset & Investment Trust Management Co., Limited  
Morgan Stanley Investment Management Company  
Van Kampen Asset Management  
Morgan Stanley Services Company, Inc.  
Morgan Stanley Distributors Inc.  
Morgan Stanley Trust FSB

7

Morgan Stanley Institutional Funds  
Morgan Stanley Investment Management Inc.  
Morgan Stanley Investment Advisors Inc.  
Morgan Stanley Investment Management Limited  
Morgan Stanley Investment Management Private Limited  
Morgan Stanley Asset & Investment Trust Management Co., Limited  
Morgan Stanley Investment Management Company  
Morgan Stanley & Co. Incorporated  
Morgan Stanley Distribution, Inc.  
Morgan Stanley AIP GP LP  
Morgan Stanley Alternative Investment Partners LP

(e) (2) Beginning with non-audit service contracts entered into on or after May 6, 2003, the audit committee also is required to pre-approve services to Covered Entities to the extent that the services are determined to have a direct impact on the operations or financial reporting of the Registrant. 100% of such services were pre-approved by the audit committee pursuant to the Audit Committee's pre-approval policies and procedures (attached hereto).

(f) Not applicable.

(g) See table above.

(h) The audit committee of the Board of Trustees has considered whether the provision of services other than audit services performed by the auditors to the Registrant and Covered Entities is compatible with maintaining the auditors' independence in performing audit services.

Item 5. Audit Committee of Listed Registrants.

(a) The Fund has a separately-designated standing audit committee established in accordance with Section 3(a)(58)(A) of the Exchange Act whose members are: Joseph Kearns, Michael Nugent and Allen Reed.

(b) Not applicable.

Item 6.

See Item 1.

Item 7. Disclosure of Proxy Voting Policies and Procedures for Closed-End Management Investment Companies.

8

The Fund/Trust invests in exclusively non-voting securities and therefore this item is not applicable.

Item 8. Portfolio Managers of Closed-End Management Investment Companies

Applicable only to reports covering periods ending on or after December 31, 2005.

MORGAN STANLEY MUNICIPAL INCOME OPPORTUNITIES TRUST I

PORTFOLIO MANAGEMENT. As of the date of this report, the Fund is managed by members within the Municipal Fixed Income team. The team consists of portfolio managers and analysts. Current members of the team jointly and primarily responsible for the day-to-day management of the Fund's portfolio are Wayne Godlin, a Managing Director of the Investment Adviser and Gerard J. Lian, an Executive Director of the Investment Adviser.

Mr. Godlin has been associated with the Investment Adviser in an investment management capacity since May 1988 and began managing the Fund in October 2001. Mr. Lian has been associated with the Investment Adviser in an investment management capacity since December 1991 and began managing the Fund in May 2003. Mr. Stryker has been associated with the Investment Adviser in an investment management capacity since February 1994 and began managing the Fund in September 2007.

The composition of the team may change from time to time.

OTHER ACCOUNTS MANAGED BY THE PORTFOLIO MANAGERS

The following information is as of May 31, 2008:

Mr. Godlin managed eight registered investment companies with a total of approximately \$7.5 billion in assets; no pooled investment vehicles other than mutual funds; and no other accounts.

Mr. Lian managed three registered investment companies with a total of approximately \$354.9 million in assets; no pooled investment vehicles other than mutual funds; and no other accounts.

Mr. Stryker managed 11 registered investment companies with a total of approximately \$3.9 billion in assets; no pooled investment vehicles other than mutual funds; and no other accounts.

Because the portfolio managers may manage assets for other investment companies,

pooled investment vehicles and/or other accounts (including institutional clients, pension plans and certain high net worth individuals), there may be an incentive to favor one client over another resulting in conflicts of interest. For instance, the Investment Adviser may receive fees from certain accounts that are higher than the fee it receives from the Fund, or it may receive a performance-based fee on certain accounts. In those instances, the portfolio managers may have an incentive to favor the higher and/or performance-based fee accounts over the Fund. In addition, a conflict of interest could exist to the extent the Investment Adviser has proprietary investments in certain accounts, where portfolio managers have personal investments in certain accounts or when certain accounts are investment options in the Investment Adviser's employee benefits and/or deferred compensation plans. The portfolio manager may have an incentive to favor these accounts over others. If the Investment Adviser manages accounts that engage in short sales of securities of the type in which the Fund invests, the Investment Adviser could be seen as harming the performance of the Fund for the benefit of the accounts engaging in short sales if the short sales cause the market value of the securities to fall. The Investment Adviser has adopted trade allocation and other policies and procedures that it believes are reasonably designed to address these and other conflicts of interest.

#### PORTFOLIO MANAGER COMPENSATION STRUCTURE

Portfolio managers receive a combination of base compensation and discretionary compensation, comprising a cash bonus and several deferred compensation programs described below. The methodology used to determine portfolio manager compensation is applied across all funds/accounts managed by the portfolio managers.

**BASE SALARY COMPENSATION.** Generally, portfolio managers receive base salary compensation based on the level of their position with the Investment Adviser.

**DISCRETIONARY COMPENSATION.** In addition to base compensation, portfolio managers may receive discretionary compensation.

Discretionary compensation can include:

- Cash Bonus.
- Morgan Stanley's Long Term Incentive Compensation awards - a mandatory program that defers a portion of discretionary year-end compensation into restricted stock units or other awards based on Morgan Stanley common stock or other investments that are subject to vesting and other conditions.
- Investment Management Alignment Plan (IMAP) awards - a mandatory program that defers a portion of discretionary year-end compensation and notionally invests it in designated funds advised by the Investment Adviser or its affiliates. The award is subject to vesting and other conditions. Portfolio managers must notionally invest a minimum of 25% to a maximum of 100% of the IMAP deferral into a combination of the designated funds they manage that are included in the IMAP fund menu, which may or may not include the Fund.
- Voluntary Deferred Compensation Plans - voluntary programs that permit certain employees to elect to defer a portion of their discretionary year-end compensation and directly or notionally invest the deferred amount: (1) across a range of designated investment funds, including funds advised by the Investment Adviser or its affiliates; and/or (2) in Morgan Stanley stock units.

## Edgar Filing: MORGAN STANLEY MUNICIPAL INCOME OPPORTUNITIES TRUST - Form N-CSR

Several factors determine discretionary compensation, which can vary by portfolio management team and circumstances. In order of relative importance, these factors include:

- Investment performance. A portfolio manager's compensation is linked to the pre-tax investment performance of the funds/accounts managed by the portfolio manager. Investment performance is calculated for one-, three- and five-year periods measured against a fund's/account's primary benchmark (as set forth in the fund's prospectus), indices and/or peer groups where applicable. Generally, the greatest weight is placed on the three- and five-year periods.
- Revenues generated by the investment companies, pooled investment vehicles and other accounts managed by the portfolio manager.
- Contribution to the business objectives of the Investment Adviser.
- The dollar amount of assets managed by the portfolio manager.
- Market compensation survey research by independent third parties.
- Other qualitative factors, such as contributions to client objectives.
- Performance of Morgan Stanley and Morgan Stanley Investment Management, and the overall performance of the investment team(s) of which the portfolio manager is a member.

### SECURITIES OWNERSHIP OF PORTFOLIO MANAGERS

As of May 31, 2008, the portfolio managers did not own any share of the Fund.

9

### Item 9. Closed-End Fund Repurchases

#### REGISTRANT PURCHASE OF EQUITY SECURITIES

Period	(a) Total Number of Shares (or Units) Purchased	(b) Average Price Paid per Share (or Unit)	(c) Total Number of Shares (or Units) Purchased as Part of Publicly Announced Plans or Programs	(d) Maximum Number (or Approximate Dollar Value) of Shares (or Units) that May Yet Be Purchased Under the Plans or Programs
November 2007 ---	6,400	7.4042	N/A	N/A
December 2007 ---				
December 2007	24,867	7.2493	N/A	N/A
January 2008 ---	4,101	7.2910	N/A	N/A

Edgar Filing: MORGAN STANLEY MUNICIPAL INCOME OPPORTUNITIES TRUST - Form N-CSR

mo-da-year ---				
mo-da-year			N/A	N/A
mo-da-year ---				
mo-da-year			N/A	N/A
mo-da-year ---				
mo-da-year			N/A	N/A
mo-da-year ---				
mo-da-year			N/A	N/A
mo-da-year ---				
mo-da-year			N/A	N/A
mo-da-year ---				
mo-da-year			N/A	N/A
mo-da-year ---				
mo-da-year			N/A	N/A
mo-da-year ---				
mo-da-year			N/A	N/A
mo-da-year ---				
mo-da-year			N/A	N/A
Total	35,368	7.3148	N/A	N/A

Item 10. Submission of Matters to a Vote of Security Holders

Not applicable.

Item 11. Controls and Procedures

(a) The Trust's/Fund's principal executive officer and principal financial officer have concluded that the Trust's/Fund's disclosure controls and procedures are sufficient to ensure that information required to be disclosed by the Trust/Fund in this Form N-CSR was recorded, processed, summarized and reported within the time periods specified in the Securities and Exchange Commission's rules and forms, based upon such officers' evaluation of these controls and procedures as of a date within 90 days of the filing date of the report.

(b) There were no changes in the registrant's internal control over financial reporting that occurred during the second fiscal quarter of the period covered by this report that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting.

Item 12. Exhibits

(a) The Code of Ethics for Principal Executive and Senior Financial Officers is attached hereto.

(b) A separate certification for each principal executive officer and principal financial officer of the registrant are attached hereto as part of EX-99.CERT.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934 and the

Edgar Filing: MORGAN STANLEY MUNICIPAL INCOME OPPORTUNITIES TRUST - Form N-CSR

Investment Company Act of 1940, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

Morgan Stanley Municipal Income Opportunities Trust

/s/ Ronald E. Robison  
-----

Ronald E. Robison  
Principal Executive Officer  
July 17, 2008

Pursuant to the requirements of the Securities Exchange Act of 1934 and the Investment Company Act of 1940, this report has been signed by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

/s/ Ronald E. Robison  
-----

Ronald E. Robison  
Principal Executive Officer  
July 17, 2008

/s/ Francis Smith  
-----

Francis Smith  
Principal Financial Officer  
July 17, 2008