

MORGAN STANLEY MUNICIPAL INCOME OPPORTUNITIES TRUST  
Form N-CSR  
August 02, 2005

=====

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)

1221 Avenue of the Americas, New York, New York 10020  
(Address of principal executive offices) (Zip code)

Ronald E. Robison  
1221 Avenue of the Americas, New York, New York 10020  
(Name and address of agent for service)

Registrant's telephone number, including area code: 212-762-4000

Date of fiscal year end: May 31, 2005

Date of reporting period: May 31, 2005

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.

FUND REPORT

For the year ended May 31, 2005

MARKET CONDITIONS

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

Consumer spending and business investment helped the U.S. economy expand at a solid pace during the 12-month period ending May 31, 2005. However, the direction of some economic indicators, including job growth, remained uneven and caused uncertainty about the strength of the economy. As a result, interest rates fluctuated, moving higher when reports were strong and lower when data was weaker than anticipated.

The fiscal period began against the backdrop of generally rising interest rates. Strong employment data, coupled with higher oil prices, led fixed income markets to conclude that the Federal Open Market Committee (the "Fed") would raise short-term interest rates. Bond yields declined during the summer and into the fall as economic growth slowed, only to rise again as winter approached and the economy rebounded. However, the themes of low inflation and slow growth returned to prevalence in the spring. By the end of May, interest rates had declined to their lowest levels of the fiscal year.

Throughout the period, the Fed reaffirmed its pledge to raise the federal funds target rate at a "measured" pace. This policy shift began in June 2004 with the first of eight consecutive 25-basis point rate hikes. These increases took the federal funds target rate to 3.00 percent by the end of May 2005. At the end of the period, the forward yield curve reflected a widespread view that the Fed would slow the pace of future rate increases.

Against this setting, long-term municipal bond yields remained in a trading range which moved rates lower in the summer, and higher in the fall, then lower through the winter and higher at the end of the first quarter of 2005. The yields of long-term bonds declined again in the spring, finishing the reporting period at or near their lows for the fiscal year. In contrast, the yields of shorter maturity bonds -- which were more directly influenced by the Fed's actions -- rose. As a result, the municipal yield curve continued to flatten and the yield spread (or differential between one-year rates and 30-year rates) narrowed.

Investor's quest for yield favored lower-quality investment grade bonds over high-grade issues, keeping quality spreads tight. Over the Fund's fiscal year, the Lehman Brothers Municipal High Yield Index returned 14.40 percent versus 7.96 percent for the broader Lehman Brothers Municipal Bond Index.

Municipal underwriting volume declined by six percent in 2004, but rebounded during the first five months of 2005 due to refunding issuance. During this five-month period, bonds backed by insurance represented 60 percent of overall volume. Issuers in California, Texas, New York, Florida and New Jersey accounted for more than 40 percent of the total underwriting volume during 2005.

On the demand side, the municipal-to-Treasury yield ratio, which gauges relative performance between the two markets, remained attractive for tax-exempt bonds. As a result, investors that normally focus on taxable bond sectors (such as insurance companies and hedge funds) supported municipals by "crossing over" to purchase bonds. However, retail investors continued to experience rate shock about the absolute level of rates and largely remained on the sidelines.

2

### PERFORMANCE ANALYSIS

For the 12-month period ended May 31, 2005, the net asset value (NAV) of the Morgan Stanley Municipal Income Opportunities Trust (OIA) increased from \$7.67 to \$8.00 per share. OIA declared distributions totalling \$0.501881 per share during the period. The Fund's total NAV return was 11.60 percent. OIA's value on the New York Stock Exchange (NYSE) moved from \$7.09 to \$7.97 per share during

the same period. Based on this change plus reinvestment of distributions, OIA's total market return was 20.12 percent. On May 31, 2005, OIA's NYSE market price was at a 0.38 percent discount to its NAV. Past performance is no guarantee of future results.

During the 12-month period ended May 31, 2005, the Fund purchased and retired 686,029 shares of common shares at a weighted average market discount of 4.79 percent.

Monthly dividends for the second quarter of 2005, declared in March, were unchanged at \$0.0425 per share. The dividend reflects the current level of the Fund's net investment income. OIA's level of undistributed net investment income was \$0.124 per share on May 31, 2005, versus \$0.093 per share twelve months earlier. (1)

OIA is a non-leveraged closed-end fund that has historically benefited by investing in better-than-average quality issues within the high-yield sector of the municipal market. During the fiscal year, as quality spreads narrowed, total return lagged. At the end of the reporting period, nearly 55 percent of the portfolio was invested in non-rated issues. In addition, the Fund maintained a conservative strategy in anticipation of continued Fed tightening and higher interest rates. The Fund's duration\* (a measure of interest rates sensitivity) was 6.0 years. This positioning helped performance when rates rose, but had the net effect of hampering total returns when rates declined later in the period. The Fund's net assets of \$158 million were diversified across 91 credits in 11 long-term sectors.

The Fund'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.

There is no guarantee that any sectors mentioned will continue to perform well or be held by the fund in the future.

\* 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.

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

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

Retirement & Life Care Facilities	16.2%
IDR/PCR*	15.8
Hospital	15.3
Tax Allocation	12.2
Nursing & Health Related Facilities	10.6

## LONG-TERM CREDIT ANALYSIS

Aaa/AAA	4.4%
Aa/AA	6.5
A/A	6.4
Baa/BBB	18.1
Ba/BB or Less	9.8
NR	54.8

\* Industrial Development/Pollution Control Revenue.

Data as of May 31, 2005. Subject to change daily. All percentages for largest sectors are as a percentage of net assets and all percentages for long-term credit analysis are as a percentage of total long-term investments. These data are provided for informational purposes only and should not be deemed a recommendation to buy or sell the securities mentioned. Morgan Stanley is a full-service securities firm engaged in securities trading and brokerage activities, investment banking, research and analysis, financing and financial advisory services.

## 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 BY FILING THE SCHEDULE ELECTRONICALLY WITH THE SECURITIES AND EXCHANGE COMMISSION (SEC). THE SEMIANNUAL REPORTS ARE FILED ON FORM N-CSRS AND THE ANNUAL REPORTS ARE FILED ON FORM N-CSR. 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](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](mailto:PUBLICINFO@SEC.GOV)) OR BY WRITING THE PUBLIC REFERENCE SECTION OF THE SEC, WASHINGTON, DC 20549-0102.

4

DISTRIBUTION BY MATURITY  
(% of Long-Term Portfolio) As of May 31, 2005

WEIGHTED AVERAGE MATURITY: 19 YEARS(A)

1-5	9
5-10	16
10-15	12
15-20	12
20-25	19
25-30	27
30+	5

(a) Where applicable maturities reflect mandatory tenders, puts and call dates.

Portfolio structure is subject to change.

Geographic Summary of Investments  
Based on Market Value as a Percent of Total Investments

Alabama.....	0.7%
Arkansas.....	1.3
California.....	5.4
Colorado.....	4.8
Connecticut.....	1.4
District of Columbia....	0.2
Florida.....	10.2
Georgia.....	0.5
Hawaii.....	2.1
Idaho.....	0.4
Illinois.....	3.1
Indiana.....	0.9
Iowa.....	2.6
Kansas.....	1.1
Kentucky.....	0.3
Louisiana.....	0.7
Maryland.....	2.5
Massachusetts.....	2.8
Michigan.....	0.4
Minnesota.....	2.3
Missouri.....	6.8
Nevada.....	4.0
New Hampshire.....	7.1
New Jersey.....	4.6
New York.....	7.5
North Carolina.....	0.7
Ohio.....	1.3
Pennsylvania.....	6.9
South Carolina.....	2.9
Tennessee.....	1.2
Texas.....	3.8
Vermont.....	1.4
Virginia.....	4.1
Washington.....	2.9
West Virginia.....	1.3
Joint exemption*.....	(0.2)
-----	
Total.....	100.0%
=====	

-----

\* Joint exemptions have been included in each geographic location.

5

CALL AND COST (BOOK) YIELD STRUCTURE  
(Based on Long-Term Portfolio) As of May 31, 2005

YEARS BONDS CALLABLE -- WEIGHTED AVERAGE CALL PROTECTION: 5 YEARS

2005 (a)	18
2006	2
2007	3
2008	11
2009	12
2010	7
2011	9
2012	10
2013	9
2014	8
2015+	11

COST (BOOK) YIELD (B) -- WEIGHTED AVERAGE BOOK YIELD: 7.2%

2005 (a)	8.8
2006	6.5
2007	5.9
2008	6.5
2009	6.4
2010	7
2011	7
2012	6.8
2013	6.9
2014	6.3
2015+	8.5

(a) May include issues callable in previous years.

(b) Cost or "book" yield is the annual income earned on a portfolio investment based on its original purchase price before the Fund's operating expenses. For example, the Fund is earning a book yield of 8.8% on 18% of the long-term portfolio that is callable in 2005.

Portfolio structure is subject to change.

6

INVESTMENT ADVISORY AGREEMENT APPROVAL

NATURE, EXTENT AND QUALITY OF SERVICES

The Board of Trustees of the Fund (the "Board") reviewed and considered the nature and extent of the investment advisory services provided by the Investment

Adviser under the Advisory Agreement, including portfolio management, investment research and fixed income securities trading. The Board also reviewed and considered the nature and extent of the non-advisory, administrative services provided by the Fund's Administrator under the Administration Agreement, including accounting, clerical, bookkeeping, compliance, business management and planning, and the provision of supplies, office space and utilities. (The Investment Adviser and the Administrator together are referred to as the "Adviser" and the Advisory and Administration Agreements together are referred to as the "Management Agreement.") The Board also compared the nature of the services provided by the Adviser with similar services provided by non-affiliated advisers as reported to the Board by Lipper Inc. ("Lipper").

The Board reviewed and considered the qualifications of the portfolio managers, the senior administrative managers and other key personnel of the Adviser who provide the administrative and investment advisory services to the Fund. The Board determined that the Adviser's portfolio managers and key personnel are well qualified by education and/or training and experience to perform the services in an efficient and professional manner. The Board concluded that the nature and extent of the advisory and administrative services provided were necessary and appropriate for the conduct of the business and investment activities of the Fund. The Board also concluded that the overall quality of the advisory and administrative services was satisfactory.

#### PERFORMANCE RELATIVE TO COMPARABLE FUNDS MANAGED BY OTHER ADVISERS

The Board reviewed the Fund's performance for one-, three- and five-year periods ended November 30, 2004, as shown in reports provided by Lipper (the "Lipper Reports"), compared to the performance of comparable funds selected by Lipper (the "performance peer group"), and noted that the Fund's performance was lower than its performance peer group average for the one-year period, but was better than average for the three- and five-year periods. The Board concluded that the Fund's overall performance was satisfactory.

#### FEES RELATIVE TO OTHER FUNDS MANAGED BY THE ADVISER WITH COMPARABLE INVESTMENT STRATEGIES

The Board reviewed the advisory and administrative fees (together, the "management fee") paid by the Fund under the Management Agreement. The Board noted that the rate was comparable to the management fee rates charged by the Adviser to any other funds it manages with investment strategies comparable to those of the Fund.

7

#### FEES AND EXPENSES RELATIVE TO COMPARABLE FUNDS MANAGED BY OTHER ADVISERS

The Board reviewed the management fee rate and total expense ratio of the Fund. The Board noted that: (i) the Fund's management fee rate was lower than the average management fee rate for funds, selected by Lipper (the "expense peer group"), managed by other advisers, with investment strategies comparable to those of the Fund, as shown in the Lipper Report for this Fund; and (ii) the Fund's total expense ratio was also lower than the average total expense ratio of the funds included in the Fund's expense peer group. The Board concluded that the Fund's management fee and total expenses were competitive with those of the Fund's expense peer group.

#### BREAKPOINTS AND ECONOMIES OF SCALE

The Board reviewed the structure of the Fund's management fee schedule under the Management Agreement and noted that it does not include any breakpoints. The Board considered that the Fund is closed-end and is not a growth fund and, therefore, that the Fund's assets are not likely to grow with new sales or grow significantly as a result of capital appreciation. The Board concluded that economies of scale for this Fund were not a factor that needed to be considered.

#### PROFITABILITY OF ADVISER AND AFFILIATES

The Board considered and reviewed information concerning the costs incurred and profits realized by the Adviser and its affiliates during the last two years from their relationship with the Fund and the Morgan Stanley Fund Complex and reviewed with the Controller of the Adviser the cost allocation methodology used to determine the Adviser's profitability. Based on their review of the information they received, the Board concluded that the profits earned by the Adviser and its affiliates were not excessive in light of the advisory, administrative and other services provided to the Fund.

#### FALL-OUT BENEFITS

The Board considered so-called "fall-out benefits" derived by the Adviser and its affiliates from their relationship with the Fund and the Fund Complex, such as "float" benefits derived from handling of checks for purchases and sales of Fund shares through a broker-dealer affiliate of the Adviser. The Board considered the float benefits and concluded that they were relatively small.

#### SOFT DOLLAR BENEFITS

The Board considered whether the Adviser realizes any benefits from commissions paid to brokers who execute securities transactions for the Fund ("soft dollars"). The Board noted that the Fund invests only in fixed income securities, which do not generate soft dollars.

8

#### ADVISER FINANCIALLY SOUND AND FINANCIALLY CAPABLE OF MEETING THE FUND'S NEEDS

The Board considered whether the Adviser is financially sound and has the resources necessary to perform its obligations under the Management Agreement. The Board noted that the Adviser's operations remain profitable, although increased expenses in recent years have reduced the Adviser's profitability. The Board concluded that the Adviser has the financial resources necessary to fulfill its obligations under the Management Agreement.

#### HISTORICAL RELATIONSHIP BETWEEN THE FUND AND THE ADVISER

The Board also reviewed and considered the historical relationship between the Fund and the Adviser, including the organizational structure of the Adviser, the policies and procedures formulated and adopted by the Adviser for managing the Fund's operations and the Board's confidence in the competence and integrity of the senior managers and key personnel of the Adviser. The Board concluded that it is beneficial for the Fund to continue its relationship with the Adviser.

#### OTHER FACTORS AND CURRENT TRENDS



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

The Board considered the controls and procedures adopted and implemented by the Adviser and monitored by the Fund's Chief Compliance Officer and concluded that the conduct of business by the Adviser indicates a good faith effort on its part to adhere to high ethical standards in the conduct of the Fund's business.

GENERAL CONCLUSION

After considering and weighing all of the above factors, the Board concluded it would be in the best interest of the Fund and its shareholders to approve renewal of the Management Agreement for another year.

9

Morgan Stanley Municipal Income Opportunities Trust  
 PORTFOLIO OF INVESTMENTS - MAY 31, 2005

PRINCIPAL AMOUNT IN THOUSANDS		COUPON RATE	MATURITY DATE	V
	Tax-Exempt Municipal Bonds (97.2%)			
	Educational Facilities Revenue (2.7%)			
\$ 1,100	ABAG Finance Authority for Nonprofit Corporations, California, National Center for International Schools COPs.....	7.50%	05/01/11	\$ 1,
500	San Diego County, California, The Burnham Institute COPs.....	6.25	09/01/29	
1,000	Bellalago Educational Facilities Benefits District, Florida, Bellalago Charter School Ser 2004 B.....	5.80	05/01/34	1,
500	Illinois Finance Authority, Fullerton Village Student Housing Ser 2004 A.....	5.125	06/01/35	
1,000	Westchester County Industrial Development Agency, New York, Guiding Eyes for The Blind Inc Ser 2004.....	5.375	08/01/24	1,
-----				4,
4,100				-----
	Hospital Revenue (15.3%)			
1,000	Colbert County - Northwest Health Care Authority, Alabama, Helen Keller Hospital Ser 2003.....	5.75	06/01/27	1,
2,000	Baxter County, Arkansas, Baxter County Regional Hospital Impr & Refg Ser 1999 B.....	5.625	09/01/28	2,
2,000	Hawaii Department of Budget & Finance, Kuakini Health 2002 Ser A.....	6.375	07/01/32	2,
1,000	Indiana Health Facility Financing Authority, Riverview Hospital Ser 2002.....	6.125	08/01/31	1,
2,000	Maryland Health & Higher Educational Facilities Authority, University of Maryland Medical Center Ser 2000.....	6.75	07/01/30	2,
600	Gaylord Hospital Financing Authority, Michigan, Otsego Memorial Hospital Ser 2004.....	6.50	01/01/37	
3,000	Henderson, Nevada, Catholic Health West 1998 Ser A.....	5.375	07/01/26	3,
1,500	New Hampshire Higher Educational & Health Facilities Authority, Littleton Hospital Assn Ser 1998 A.....	6.00	05/01/28	1,
2,000	New Jersey Health Care Facilities Financing Authority,			

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

1,105	Raritan Bay Medical Center Ser 1994.....	7.25	07/01/27	2,
1,000	Nassau County Industrial Development Agency, New York, North Shore Health Ser B.....	5.875	11/01/11	1,
1,000	Monroe County Hospital Authority, Pennsylvania, Pocono Medical Center Ser 2003.....	6.00	01/01/43	1,
1,000	St Mary Hospital Authority, Pennsylvania, Catholic Health East 2004 Ser B.....	5.375	11/15/34	1,
2,000	South Carolina Jobs - Economic Development Authority, Palmetto Health Alliance Refg Ser 2003 C.....	6.875	08/01/27	2,
1,000	Knox County Health Educational & Housing Facility Board, Tennessee, Baptist Health of East Tennessee Ser 2002....	6.50..	04/15/31	1,

See Notes to Financial Statements

10

Morgan Stanley Municipal Income Opportunities Trust  
PORTFOLIO OF INVESTMENTS - MAY 31, 2005 continued

PRINCIPAL AMOUNT IN THOUSANDS		COUPON RATE	MATURITY DATE	V
\$ 1,000	Decatur Hospital Authority, Texas, Wise Regional Health Ser 2004 A.....	7.125%	09/01/34	\$ 1,
350	Hidalgo County Health Services Corporation, Texas, Mission Hospital Ser 2005.....	5.00	08/15/19	-----
22,555				24, -----
2,000	Industrial Development/Pollution Control Revenue (15.8%) Los Angeles, California, American Airlines Inc Terminal 4 Ser 2002 C (AMT).....	7.50	12/01/24	2,
360	Metropolitan Washington Airports Authority, District of Columbia & Virginia, CaterAir International Corp Ser 1991 (AMT)++.....	10.125	09/01/11	
2,000	Chicago, Illinois, Chicago O'Hare Int'l Airport/United Airlines Inc Refg Ser 2001 C (a).....	6.30	05/01/16	
1,500	Iowa Finance Authority, IPSCO Inc Ser 1997 (AMT).....	6.00	06/01/27	1,
2,000	New York City Industrial Development Agency, New York, 7 World Trade Center LLC Ser 2005 A.....	6.50	03/01/35	2,
1,500	Dayton, Ohio, Emery Air Freight Corp Refg Ser 1998 A.....	5.625	02/01/18	1,
455	Zanesville-Muskingum County Port Authority, Ohio, Anchor Glass Container Corp Ser 1989 B (AMT).....	10.25	12/01/08	
2,000	Beaver County Industrial Development Authority, Pennsylvania, Toledo Edison Co Collateralized Ser 1995 B.....	7.75	05/01/20	2,
2,920	Carbon County Industrial Development Authority, Pennsylvania, Panther Creek Partners Refg 2000 Ser (AMT).....	6.65	05/01/10	3,
1,000	Pennsylvania Economic Development Financing Authority, Reliant Energy Inc Ser 2001 A (AMT).....	6.75	12/01/36	1,
2,125	Lexington County, South Carolina, Ellett Brothers Inc Refg Ser 1988.....	7.50	09/01/08	2,
1,000	Brazos River Authority, Texas, TXU Electric Refg Ser 1999 A (AMT).....	7.70	04/01/33	1,

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

1,000	Chesterfield County Industrial Development Authority, Virginia, Virginia Electric & Power Co Ser 1985.....	5.50	10/01/09	1,
3,700	Pittsylvania County Industrial Development Authority, Virginia, Multi-Trade Pittsylvania County Ser 1994 A (AMT) .....	7.45	01/01/09	3,
2,000	Upshur County, West Virginia, TJ International Inc Ser 1995 (AMT) .....	7.00	07/15/25	2,
-----				24,
25,560				-----
Mortgage Revenue - Multi-Family (7.0%)				
Washington County Housing & Redevelopment Authority,				
3,885	Courtly Park Ser 1989 A.....	9.75	06/15/19	3,
1,165	Courtly Park Ser 1989 A (AMT).....	10.25	06/15/19	
24,080	Courtly Park Ser 1989 B.....	0.00..	06/15/19	
8,678	Courtly Park Ser 1989 B (AMT).....	0.00	06/15/19	

See Notes to Financial Statements

11

Morgan Stanley Municipal Income Opportunities Trust  
PORTFOLIO OF INVESTMENTS - MAY 31, 2005 continued

PRINCIPAL AMOUNT IN THOUSANDS		COUPON RATE	MATURITY DATE	V
-----				
\$ 3,715	White Bear Lake, Minnesota, White Bear Woods Apts Phase II Refg 1989 Ser A.....	9.75%	06/15/19	\$ 3,
19,771	White Bear Woods Apts Phase II Refg 1989 Ser B.....	0.00	06/15/19	
3,000	Brookhaven Industrial Development Agency, New York, Woodcrest Estates Ser 1998 A (AMT) .....	6.375	12/01/37	3,
-----				11,
64,294				-----
Mortgage Revenue - Single Family (6.5%)				
Colorado Housing & Finance Authority,				
155	1996 Ser B (AMT) .....	7.65	11/01/26	
625	Ser 1998 D-2 (AMT) .....	6.35	11/01/29	
25,155	New Hampshire Housing Finance Authority, Residential 1983 Ser B.....	0.00	01/01/15	9,
-----				10,
25,935				-----
Nursing & Health Related Facilities Revenue (10.6%)				
Escambia County, Florida,				
4,885	Pensacola Care Development Centers Ser 1989.....	10.25	07/01/11	4,
1,125	Pensacola Care Development Centers Ser 1989 A.....	10.25	07/01/11	1,
1,000	Orange County Health Facilities Authority, Florida,			

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

	Westminister Community Care Services Inc Ser 1999.....	6.75	04/01/34	
1,000	Pinellas County Health Facilities Authority, Florida, Oaks of Clearwater Ser 2004.....	6.25	06/01/34	1,
1,965	Iowa Health Facilities Development Financing Authority, Care Initiatives Ser 1996.....	9.25	07/01/25	2,
515	Kentucky Economic Development Financing Authority, AHF/Kentucky-Iowa Inc Ser 2003.....	6.50#	01/01/29	
1,000	Westside Habilitation Center, Louisiana, Intermediate Care Facility for the Mentally Retarded Refg Ser 1993.....	8.375	10/01/13	1,
1,775	Massachusetts Development Finance Agency, New England Center for Children Ser 1998.....	5.875	11/01/18	1,
1,000	Massachusetts Health & Educational Facilities Authority, The Learning Center for Deaf Children Ser C.....	6.125	07/01/29	1,
1,000	St Louis County Industrial Development Authority, Missouri, Pediatric Rehabilitation Center Ser 2003 A....	6.625	11/15/35	1,
780	Mount Vernon Industrial Development Agency, New York, Meadowview at the Wartburg Ser 1999.....	6.00	06/01/09	
-----				
16,045				16,
-----				
	Recreational Facilities Revenue (5.6%)			
2,000	Sacramento Financing Authority, California, Convention Center Hotel 1999 Ser A.....	6.25	01/01/30	2,
1,000	San Diego County, San Diego Natural History Museum COPs...	5.70	02/01/28	

See Notes to Financial Statements

12

Morgan Stanley Municipal Income Opportunities Trust  
PORTFOLIO OF INVESTMENTS - MAY 31, 2005 continued

PRINCIPAL AMOUNT IN THOUSANDS		COUPON RATE	MATURITY DATE	V
\$ 1,010	Mashantucket (Western) Pequot Tribe, Connecticut, Special 1996 Ser A (b).....	6.40%	09/01/11	\$ 1,
1,000	Special 1997 Ser B (b).....	5.75	09/01/27	1,
2,000	St Louis Industrial Development Authority, Missouri, St Louis Convention Center Headquarters Hotel Ser 2000 (AMT).....	6.875	12/15/20	1,
2,000	Austin Convention Enterprises Inc, Texas, Convention Center Hotel Ser 2000 A.....	6.70	01/01/32	2,
-----				
9,010				8,
-----				
	Retirement & Life Care Facilities Revenue (16.2%)			
500	Orange County Health Facilities Authority, Florida, Orlando Lutheran Towers Inc. Ser 2005 (WI).....	5.70	07/01/26	
1,000	St Johns County Industrial Development Authority, Florida, Glenmoor Ser 1999 A.....	8.00	01/01/30	1,
1,000	Hawaii Department of Budget & Finance, Kahala Nui, 2003			

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

	Ser A.....	8.00	11/15/33	1,
1,500	Lenexa, Kansas, Lakeview Village - Southridge Ser 2002			
	C.....	6.875	05/15/32	1,
1,500	Maryland Health & Higher Educational Facilities Authority,			
	Mercy Ridge 2003 Ser A.....	6.00	04/01/35	1,
1,500	Massachusetts Development Finance Agency, Loomis			
	Communities Ser 1999 A.....	5.75	07/01/23	1,
1,500	Kansas City Industrial Development Agency, Missouri,			
	Bishop Spencer 2004 Ser A.....	6.50	01/01/35	1,
	New Jersey Economic Development Authority,			
1,000	Cedar Crest Village Inc Ser 2001 A.....	7.25..	11/15/31	1,
1,000	Franciscan Oaks Ser 1997.....	5.70	10/01/17	1,
1,000	The Presbyterian Home at Montgomery Ser 2001 A.....	6.375.	11/01/31	1,
2,000	United Methodist Homes of New Jersey Ser 1998.....	5.125	07/01/25	1,
3,250	Suffolk County Industrial Development Agency, New York,			
	Jefferson's Ferry Ser 1999.....	7.25	11/01/28	3,
1,000	North Carolina Medical Care Commission, The Given Estate,			
	Ser 2003 A.....	6.50	07/01/32	1,
1,000	Chester County Health & Education Facilities Authority,			
	Pennsylvania, Jenner's Pond Inc Ser 2002.....	7.625	07/01/34	1,
1,000	Montgomery County Industry Development Authority,			
	Pennsylvania, Whitmarsh Community Ser 2005.....	6.25	02/01/35	1,
750	Shelby County Health, Educational & Housing Facilities			
	Board, Tennessee, Village at Germantown Ser 2003 A.....	7.25	12/01/34	
1,000	Houston Health Facilities Authority, Texas, Buckingham			
	Senior Living Community Ser 2003 A.....	7.125	02/15/34	1,
2,100	Vermont Economic Development Authority, Wake Robin Corp			
	Ser 1999 A.....	6.75	03/01/29	2,

See Notes to Financial Statements

Morgan Stanley Municipal Income Opportunities Trust  
 PORTFOLIO OF INVESTMENTS - MAY 31, 2005 continued

PRINCIPAL AMOUNT IN THOUSANDS		COUPON RATE	MATURITY DATE	V
\$ 1,000	Peninsula Ports Authority of Virginia, Virginia Baptist Homes Ser 2003 A.....	7.375%	12/01/32	\$ 1,
-----				-----
24,600				25,
-----				-----
500	Tax Allocation Revenue (12.2%) Carlsbad, California, Assessment District # 2002-01 Poinsetta Lane East Ser 2005 A.....	5.20	09/02/35	
1,000	San Marcos Community Facilities District # 2002-01, California, University Commons Ser 2004.....	5.95	09/01/35	1,
2,000	Elk Valley Public Improvement Corporation, Colorado, Ser 2001 A.....	7.35	09/01/31	2,
1,000	Southlands Metropolitan District #1, Colorado, Ser 2004...	7.125	12/01/34	1,
2,000	Beacon Lakes, Community Development District, Florida, Ser 2003 A.....	6.90	05/01/35	2,
1,000	Midtown Miami Community Development District, Florida, Ser			

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

	2004 A.....	6.25	05/01/37	1,
2,000	Chicago, Illinois, Lake Shore East, Ser 2002.....	6.75	12/01/32	2,
725	Lincolnshire, Illinois, Special Service Area # 1 Ser			
	2004.....	6.25	03/01/34	
2,000	Des Peres, Missouri, West County Center Ser 2002.....	5.75	04/15/20	2,
4,000	Fenton, Missouri, Gravois Bluffs Redevelopment Ser 2001 A			
	Refg.....	7.00	10/01/21	4,
1,980	Las Vegas District # 808, Nevada, Summerlin Ser 2001.....	6.75	06/01/21	2,
-----				
18,205				19,
-----				
	Transportation Facilities Revenue (4.5%)			
5,000	E-470 Public Highway Authority, Colorado, Ser 1997 B			
	(MBIA).....	0.00	09/01/15	3,
1,780	Mid-Bay Bridge Authority, Florida, Sr Lien Crossover Refg			
	Ser 1993 A (Ambac).....	5.85	10/01/13	1,
750	Augusta, Georgia, Airport Passenger Facility Charge Ser			
	2005 A.....	5.15	01/01/35	
1,000	Nevada Department of Business & Industry, Las Vegas			
	Monorail 2nd Tier Ser 2000.....	7.375	01/01/40	1,
-----				
8,530				7,
-----				
	Refunded (0.8%)			
1,000	Illinois Health Facilities Authority, Riverside Health Ser			
	2000.....	6.85	11/15/10+	1,
-----				
219,834	Total Tax-Exempt Municipal Bonds (Cost \$160,453,758).....			153,

See Notes to Financial Statements

14

Morgan Stanley Municipal Income Opportunities Trust  
 PORTFOLIO OF INVESTMENTS - MAY 31, 2005 continued

PRINCIPAL AMOUNT IN THOUSANDS		COUPON RATE	MATURITY DATE	V
-----				
	Short-Term Tax-Exempt Municipal Obligations (0.7%)			
\$ 680	Idaho Health Facilities Authority, St Luke's Regional			
	Medical Center Ser 2000 (FSA) (Demand 06/01/05).....	2.86*%	07/01/30	\$
370	Indiana Health Facility Financing Authority, Clarian			
	Health Ser 2000 B (Demand 06/01/05).....	2.91*	03/01/30	
-----				
1,050	Total Short-Term Tax-Exempt Municipal Obligations (Cost \$1,050,000).....			1,
-----				

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

\$220,884	Total Investments (Cost \$161,503,758) (c) (d).....	97.9%	154,
=====			
	Other Assets in Excess of Liabilities.....	2.1	3,
		-----	-----
	Net Assets.....	100.0%	\$157,
		=====	=====

- 
- AMT Alternative Minimum Tax.
  - COPs Certificates of Participation.
  - WI Security purchased on a when-issued basis.
  - \* Current coupon of variable rate demand obligation.
  - ++ Joint exemption in locations shown.
  - + Prerefunded to call date shown.
  - # Currently a 6.50% coupon; increases to 8.00% on January 1, 2009.
  - (a) Bond in default; issuer in bankruptcy.
  - (b) Resale is restricted to qualified institutional investors.
  - (c) Securities have been designated as collateral in an amount equal to \$500,000 in connection with the purchase of a when-issued security.
  - (d) The aggregate cost for federal income tax purposes is \$161,411,008. The aggregate gross unrealized appreciation is \$8,388,758 and the aggregate gross unrealized depreciation is \$15,461,080, resulting in net unrealized depreciation of \$7,072,322.

Bond Insurance:

- 
- Ambac Ambac Assurance Corporation.
  - FSA Financial Security Assurance Inc.
  - MBIA Municipal Bond Investors Assurance Corporation.

See Notes to Financial Statements

15

Morgan Stanley Municipal Income Opportunities Trust  
FINANCIAL STATEMENTS

Statement of Assets and Liabilities  
May 31, 2005

Assets:	
Investments in securities, at value	
(cost \$161,503,758).....	\$154,338,686
Cash.....	77,194
Receivable for:	
Interest.....	3,027,538
Investments sold.....	845,450
Prepaid expenses and other assets.....	11,901
	-----
Total Assets.....	158,300,769
	-----
Liabilities:	

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

Payable for:	
Investments purchased.....	500,000
Investment advisory fee.....	68,841
Administration fee.....	11,015
Accrued expenses and other payables.....	126,625
	-----
Total Liabilities.....	706,481
	-----
Net Assets.....	\$157,594,288
	=====
Composition of Net Assets:	
Paid-in-capital.....	\$174,464,154
Net unrealized depreciation.....	(7,165,072)
Accumulated undistributed net investment income.....	2,451,611
Accumulated net realized loss.....	(12,156,405)
	-----
Net Assets.....	\$157,594,288
	=====
Net Asset Value Per Share, 19,693,243 shares outstanding (unlimited shares authorized of \$.01 par value).....	\$8.00
	=====

See Notes to Financial Statements

16

Morgan Stanley Municipal Income Opportunities Trust  
FINANCIAL STATEMENTS continued

Statement of Operations  
For the year ended May 31, 2005

Net Investment Income:	
Interest Income.....	\$11,906,003
	-----
Expenses	
Investment advisory fee.....	787,354
Administration fee.....	271,183
Transfer agent fees and expenses.....	80,048
Professional fees.....	66,059
Shareholder reports and notices.....	38,372
Registration fees.....	17,884
Custodian fees.....	10,614
Trustees' fees and expenses.....	9,752
Other.....	25,023
	-----
Total Expenses.....	1,306,289
	-----
Less: expense offset.....	(10,524)
	-----
Net Expenses.....	1,295,765
	-----
Net Investment Income.....	10,610,238
	-----
Net Realized and Unrealized Gain (Loss):	
Net realized loss.....	(1,978,394)
Net change in unrealized depreciation.....	7,868,814
	-----
Net Gain.....	5,890,420



Net Increase.....	----- \$16,500,658 =====
-------------------	--------------------------------

See Notes to Financial Statements

17

Morgan Stanley Municipal Income Opportunities Trust  
FINANCIAL STATEMENTS continued

Statement of Changes in Net Assets

	FOR THE YEAR ENDED MAY 31, 2005	FOR THE YEAR ENDED MAY 31, 2004
	-----	-----
Increase (Decrease) in Net Assets:		
Operations:		
Net investment income.....	\$ 10,610,238	\$ 10,642,996
Net realized loss.....	(1,978,394)	(2,478,163)
Net change in unrealized depreciation.....	7,868,814	(3,072,450)
	-----	-----
Net Increase.....	16,500,658	5,092,383
Dividends to shareholders from net investment income.....	(10,055,170)	(10,327,443)
Decrease from transactions in shares of beneficial interest.....	(5,116,505)	(2,707,158)
	-----	-----
Net Increase (Decrease).....	1,328,983	(7,942,218)
Net Assets:		
Beginning of period.....	156,265,305	164,207,523
	-----	-----
End of Period (Including accumulated undistributed net investment income of \$2,451,611 and \$1,895,566, respectively).....	\$157,594,288	\$156,265,305
	=====	=====

See Notes to Financial Statements

18

Morgan Stanley Municipal Income Opportunities Trust  
NOTES TO FINANCIAL STATEMENTS - MAY 31, 2005

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; and (3) 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. Interest income is accrued daily except where collection is not expected.

C. Federal Income Tax Policy -- It is the Fund's policy to comply with the requirements of the Internal Revenue Code applicable to regulated investment companies and to distribute substantially all of its taxable and nontaxable income to its shareholders. Accordingly, no federal income tax provision is required.

19

Morgan Stanley Municipal Income Opportunities Trust  
NOTES TO FINANCIAL STATEMENTS - MAY 31, 2005 continued

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

E. 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.

F. 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 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 weekly net assets. Prior to November 1, 2004, the annual rate was 0.30%.

3. Security Transactions and Transactions with Affiliates

The cost of purchases and proceeds from sales of portfolio securities, excluding short-term investments, for the year ended May 31, 2005 aggregated \$18,056,691 and \$23,034,801, respectively. Included in the aforementioned transactions are purchases of \$1,751,103 with other Morgan Stanley funds.

Morgan Stanley Trust, an affiliate of the Investment Adviser and Administrator, is the Fund's transfer agent. At May 31, 2005, the Fund had transfer agent fees and expenses payable of approximately \$9,400.

20

Morgan Stanley Municipal Income Opportunities Trust  
 NOTES TO FINANCIAL STATEMENTS - MAY 31, 2005 continued

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. Aggregate pension costs for the year ended May 31, 2005 included in Trustees' fees and expenses in the Statement of Operations amounted to \$7,493. At May 31, 2005, the Fund had an accrued pension liability of \$62,516 which is included in accrued expenses in the Statement of Assets and Liabilities. On December 2, 2003, 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.

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 receives for serving 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:

	SHARES	PAR VALUE OF SHARES	CAPITAL PAID IN EXCESS OF PAR VALUE
	-----	-----	-----
Balance, May 31, 2003.....	20,756,472	\$207,564	\$186,928,7

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

Treasury shares purchased and retired (weighted average discount 6.73%*).....	(377,200)	(3,772)	(2,703,3
Reclassification due to permanent book/tax differences.....	--	--	(4,848,5
	-----	-----	-----
Balance, May 31, 2004.....	20,379,272	203,792	179,376,8
Treasury shares purchased and retired (weighted average discount 4.79%*).....	(686,029)	(6,860)	(5,109,6
	-----	-----	-----
Balance, May 31, 2005.....	19,693,243	\$196,932	\$174,267,2
	=====	=====	=====

\* The Trustees have voted to retire the shares purchased.

21

Morgan Stanley Municipal Income Opportunities Trust  
 NOTES TO FINANCIAL STATEMENTS - MAY 31, 2005 continued

5. Dividends

The Fund declared the following dividends from net investment income:

DECLARATION DATE	AMOUNT PER SHARE	RECORD DATE	PAYABLE DATE
-----	-----	-----	-----
March 29, 2005	\$0.0425	June 3, 2005	June 17, 2005
June 28, 2005	\$0.0425	July 8, 2005	July 22, 2005
June 28, 2005	\$0.0425	August 5, 2005	August 19, 2005
June 28, 2005	\$0.0425	September 9, 2005	September 23, 2005

6. Expense Offset

The expense offset represents a reduction of the custodian fees for earnings on cash balances maintained by the Fund.

7. Risks Relating to Certain Financial Instruments

The Fund may invest a portion of its assets in residual interest bonds, which are inverse floating rate municipal obligations. The prices of these securities are subject to greater market fluctuations during periods of changing prevailing interest rates than are comparable fixed rate obligations.

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.

8. 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.

22

Morgan Stanley Municipal Income Opportunities Trust  
 NOTES TO FINANCIAL STATEMENTS - MAY 31, 2005 continued

The tax character of distributions paid was as follows:

	FOR THE YEAR ENDED MAY 31, 2005	FOR THE YEAR ENDED MAY 31, 2004
	-----	-----
Tax-exempt income.....	\$10,017,495	\$10,327,443
Ordinary income.....	37,675	--
	-----	-----
Total distributions.....	\$10,055,170	\$10,327,443
	=====	=====

As of May 31, 2005, the tax-basis components of accumulated losses were as follows:

Undistributed tax-exempt income.....	\$ 2,482,520
Undistributed ordinary income.....	--
	-----
Net accumulated earnings.....	2,482,520
Capital loss carryforward*.....	(12,156,403)
Temporary differences.....	(123,661)
Net unrealized depreciation.....	(7,072,322)
	-----
Total accumulated losses.....	\$(16,869,866)
	=====

\* As of May 31, 2005, the Fund had a net capital loss carryforward of \$12,156,403 of which \$700,037 will expire on May 31, 2006, \$87,017 will expire on May 31, 2008, \$4,628,820 will expire on May 31, 2009, \$1,864,080 will expire on May 31, 2011 and \$4,876,449 will expire on May 31, 2013 to offset future capital gains to the extent provided by regulations.

As of May 31, 2005, the Fund had temporary book/tax differences primarily attributable to book amortization of discounts on debt securities and interest on bonds in default and permanent book/tax differences attributable to tax adjustments on debt securities sold by the Fund. To reflect reclassifications arising from the permanent differences, accumulated net realized loss was charged and accumulated undistributed net investment income was credited \$977.

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 EN		
	2005	2004	2003
Selected Per Share Data:			
Net asset value, beginning of the period.....	\$7.67	\$7.91	\$7.8
Income (loss) from investment operations:			
Net investment income*.....	0.53	0.52	0.5
Net realized and unrealized gain (loss).....	0.29	(0.26)	0.0
Total income from investment operations.....	0.82	0.26	0.5
Less dividends from net investment income.....	(0.50)	(0.50)	(0.5)
Anti-dilutive effect of acquiring treasury shares*.....	0.01	--	-
Net asset value, end of period.....	\$8.00	\$7.67	\$7.9
Market value, end of period.....	\$7.97	\$7.09	\$7.7
Total Return+.....	20.12%	(2.34)%	3.0
Ratios to Average Net Assets:			
Total expenses (before expense offset).....	0.83%	0.94%	0.9
Net investment income.....	6.76%	6.63%	6.8
Supplemental Data:			
Net assets, end of period, in thousands.....	\$157,594	\$156,265	\$164,20
Portfolio turnover rate.....	12%	10%	

\* The per share amounts were computed using an average number of shares outstanding during the period.

+ 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.

(1) Does not reflect the effect of expense offset of 0.01%.

See Notes to Financial Statements

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

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

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, 2005, and the related statements of operations 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, 2005, by correspondence with the custodian and brokers. 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, 2005, the results of its operations 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 15, 2005

25

Morgan Stanley Municipal Income Opportunities Trust  
SHAREHOLDER VOTING RESULTS

On December 15, 2004, 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:

	# OF SHARES	
	FOR	WITHHELD
-----	-----	-----

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

Edwin J. Garn.....	16,451,281	362,769
Michael E. Nugent.....	16,473,055	340,995

The following Trustees were not standing for reelection at this meeting: Michael Bozic, Charles A. Fiumefreddo, Wayne E. Hedien, James F. Higgins, Dr. Manuel H. Johnson, Joseph J. Kearns, and Fergus Reid.

26

Morgan Stanley Municipal Income Opportunities Trust  
TRUSTEE AND OFFICER INFORMATION

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) Dur Past 5 Years**
-----	-----	-----	-----
Michael Bozic (64) c/o Kramer Levin Naftalis & Frankel LLP Counsel to the Independent Trustees 1177 Avenue of the Americas New York, NY 10036	Trustee	Since April 1994	Private Investor; Director Trustee of the Retail Funds (since April 1994) and the Institutional Funds (since July 2003); formerly Vice Chairman of Kmart Corporati (December 1998–October 2000 Chairman and Chief Executiv Officer of Levitz Furniture Corporation (November 1995–November 1998) and President and Chief Executi Officer of Hills Department Stores (May 1991–July 1995) formerly variously Chairman Chief Executive Officer, President and Chief Operati Officer (1987–1991) of the Sears Merchandise Group of Sears, Roebuck & Co.
Edwin J. Garn (72) 1031 N. Chartwell Court Salt Lake City, UT 84103	Trustee	Since January 1993	Consultant; Director or Trustee of the Retail Funds (since January 1993) and th Institutional Funds (since July 2003); member of the U Regional Advisory Board of Pacific Corp.; formerly Managing Director of Summit Ventures LLC (2000–2004); United States Senator (R–Ut (1974–1992) and Chairman, Senate Banking Committee (1980–1986), Mayor of Salt Lake City, Utah (1971–1974) Astronaut, Space Shuttle Discovery (April 12–19, 198



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

and Vice Chairman, Huntsman Corporation (chemical company).

Wayne E. Hedien (71)  
 c/o Kramer Levin Naftalis & Frankel LLP  
 Counsel to the Independent Trustees  
 1177 Avenue of the Americas  
 New York, NY 10036

Trustee Since  
 September 1997

Retired; Director or Trustee of the Retail Funds (since September 1997) and the Institutional Funds (since July 2003); formerly associated with the Allstate Companies (1966-1994), most recently as Chairman of The Allstate Corporation (March 1993-December 1994) and Chairman and Chief Executive Officer of its wholly-owned subsidiary, Allstate Insurance Company (July 1989-December 1994).

Name, Age and Address of Independent Trustee	Other Directorships Held by Trustee
Michael Bozic (64) c/o Kramer Levin Naftalis & Frankel LLP Counsel to the Independent Trustees 1177 Avenue of the Americas New York, NY 10036	Director of various business organizations.
Edwin J. Garn (72) 1031 N. Chartwell Court Salt Lake City, UT 84103	Director of Franklin Covey (time management systems), BMW Bank of North America, Inc. (industrial loan corporation), Escrow Bank USA (industrial loan corporation); United Space Alliance (joint venture between Lockheed Martin and the Boeing Company) and Nuskin Asia Pacific (multilevel marketing); member of the board of various civic and charitable organizations.
Wayne E. Hedien (71) c/o Kramer Levin Naftalis & Frankel LLP Counsel to the Independent Trustees 1177 Avenue of the Americas New York, NY 10036	Director of The PMI Group Inc. (private mortgage insurance); Trustee and Vice Chairman of The Field Museum of Natural History; director of various other business and charitable organizations.

Morgan Stanley Municipal Income Opportunities Trust  
 TRUSTEE AND OFFICER INFORMATION continued

Name, Age and Address of	Position(s) Held with	Term of Office and Length of	Principal Occupation(s) Dur
--------------------------	-----------------------	------------------------------	-----------------------------

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

Independent Trustee	Registrant	Time Served*	Past 5 Years**
<p>Dr. Manuel H. Johnson (56)                      c/o Johnson Smick Group, Inc.                      888 16th Street, NW                      Suite 740                      Washington, D.C. 20006</p>	Trustee	Since July 1991	<p>Senior Partner, Johnson Smick International, Inc., a consulting firm; Chairman of the Audit Committee 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) an international economic commission; formerly Vice Chairman of the Board of Governors of the Federal Reserve System and Assistant Secretary of the U.S. Treasury.</p>
<p>Joseph J. Kearns (62)                      c/o Kearns &amp; Associates LLC                      PMB754                      23852 Pacific Coast Highway                      Malibu, CA 90265</p>	Trustee	Since July 2003	<p>President, Kearns &amp; Associates LLC (investment consulting); Deputy Chairman of the Audit Committee and Director or Trustee of the Retail Funds (since July 2003) and the Institutional Funds (since August 1994); previously Chairman of the Audit Committee of the Institutional Funds (October 2001-July 2003); formerly CFO of the Paul Getty Trust.</p>
<p>Michael E. Nugent (69)                      c/o Triumph Capital, L.P.                      445 Park Avenue                      New York, NY 10022</p>	Trustee	Since July 1991	<p>General Partner of Triumph Capital, L.P., a private investment partnership; Chairman of the Insurance Committee and Director or Trustee of the Retail Funds (since July 1991) and the Institutional Funds (since July 2001); formerly Vice President, Bankers Trust Company and BT Capital Corporation (1984-1988).</p>
<p>Fergus Reid (72)                      c/o Lumelite Plastics Corporation                      85 Charles Colman Blvd.                      Pawling, NY 12564</p>	Trustee	Since July 2003	<p>Chairman of Lumelite Plastics Corporation; Chairman of the Governance Committee and Director or Trustee of the Retail Funds (since July 2003) and the Institutional Funds (since June 1992).</p>

Name, Age and Address of Independent Trustee

Other Directorships Held by Trustee

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

Dr. Manuel H. Johnson (56)  
 c/o Johnson Smick Group, Inc.  
 888 16th Street, NW  
 Suite 740  
 Washington, D.C. 20006

Director of NVR, Inc. (home construction); Director of KFX Energy; Director of RBS Greenwich Capital Holdings (financial holding company).

Joseph J. Kearns (62)  
 c/o Kearns & Associates LLC  
 PMB754  
 23852 Pacific Coast Highway  
 Malibu, CA 90265

Director of Electro Rent Corporation (equipment leasing), The Ford Family Foundation, and the UCLA Foundation.

Michael E. Nugent (69)  
 c/o Triumph Capital, L.P.  
 445 Park Avenue  
 New York, NY 10022

Director of various business organizations.

Fergus Reid (72)  
 c/o Lumelite Plastics Corporation  
 85 Charles Colman Blvd.  
 Pawling, NY 12564

Trustee and Director of certain investment companies in the JPMorgan Funds complex managed by J.P. Morgan Investment Management Inc.

28

Morgan Stanley Municipal Income Opportunities Trust  
 TRUSTEE AND OFFICER INFORMATION continued

Interested Trustees:

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**
Charles A. Fiumefreddo (72) c/o Morgan Stanley Trust Harborside Financial Center, Plaza Two, Jersey City, NJ 07311	Chairman of the Board and Trustee	Since July 1991	Chairman and Director or Trustee of the Retail Funds (since July 1991) and the Institutional Funds (since July 2003); formerly Chief Executive Officer of the Retail Funds (until September 2002).
James F. Higgins (57) 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); Director of the Distributor and Dean Witter Realty Inc.; previously President and Chief Operating Officer of the Private Client Group of Morgan Stanley (May 1999-August 2000), and President and Chief Operating Officer of Individual

Name, Age and Address of Interested Trustee	Other Directorships Held by Trustee
Charles A. Fiumefreddo (72) c/o Morgan Stanley Trust Harborside Financial Center, Plaza Two, Jersey City, NJ 07311	None.
James F. Higgins (57) c/o Morgan Stanley Trust Harborside Financial Center, Plaza Two, Jersey City, NJ 07311	Director of AXA Financial, Inc. and The Equitable Life Assurance Society of the United States (financial services).

\* This is the earliest date the Trustee began serving the funds advised by Morgan Stanley Investment Advisors Inc. (the "Investment Adviser") (the "Retail Funds").

\*\* The dates referenced below indicating commencement of services as Director/Trustee for the Retail Funds and the funds advised by Morgan Stanley Investment Management Inc. and Morgan Stanley AIP GP LP (the "Institutional Funds") reflect the earliest date the Director/Trustee began serving the Retail or Institutional Funds, as applicable.

\*\*\* 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.).

29

Morgan Stanley Municipal Income Opportunities Trust  
TRUSTEE AND OFFICER INFORMATION continued

Officers:

Name, Age and Address of Executive Officer	Position(s) Held with Registrant	Term of Office and Length of Time Served*	Principal Occupation(s) Du
Mitchell M. Merin (51) 1221 Avenue of the Americas New York, NY 10020	President	Since May 1999	President and Chief Operating Off Investment Management Inc.; Presi Executive Officer of the Investme Administrator; Chairman and Direc Chairman and Director of the Tran various Morgan Stanley subsidiari Institutional Funds (since July 2 Retail Funds (since May 1999); Tr President (since December 2002) o

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

			Funds; Trustee (since May 1999) a 2002) of the Van Kampen Open-End
Ronald E. Robison (66) 1221 Avenue of the Americas New York, NY 10020	Executive Vice President and Principal Executive Officer	Since April 2003	Principal Executive Officer of Fu (since May 2003); Managing Direct Incorporated, Morgan Stanley Inve Morgan Stanley; Managing Director Officer and Director of the Inves Administrator; Director of the Tr Director and Director of the Dist President and Principal Executive Institutional Funds (since July 2 (since April 2003); Director of M May 2004); previously, President Institutional Funds (March 2001-J Operations Officer and Managing D Investment Management Inc.
Joseph J. McAlinden (62) 1221 Avenue of the Americas New York, NY 10020	Vice President	Since July 1995	Managing Director and Chief Inves Investment Adviser and Morgan Sta Inc.; Chief Investment Officer of President of the Institutional Fu the Retail Funds (since July 1995
Barry Fink (50) 1221 Avenue of the Americas New York, NY 10020	Vice President	Since February 1997	General Counsel (since May 2000) (since December 2000) of Morgan S Management; Managing Director (si Secretary (since February 1997) a 1998) of the Investment Adviser a President of the Retail Funds; As Stanley DW; Vice President of the July 2003); Managing Director, Se Distributor; previously Secretary and General Counsel (February 199 Funds; Vice President and Assista Investment Adviser and the Admini 1997-December 2001).
Amy R. Doberman (43) 1221 Avenue of the Americas New York, NY 10020	Vice President	Since July 2004	Managing Director and General Cou Management; Managing Director of Management Inc. and the Investmen of the Institutional and Retail F Vice President of the Van Kampen previously, Managing Director and Counsel -- Americas, UBS Global A 2000-July 2004) and General Couns Management, Inc. (January 1997-Ju
Carsten Otto (41) 1221 Avenue of the Americas New York, NY 10020	Chief Compliance Officer	Since October 2004	Executive Director and U.S. Direc Morgan Stanley Investment Managem Executive Director of the Investm Stanley Investment Management Inc Secretary and Assistant General C Stanley Retail Funds.

30

Morgan Stanley Municipal Income Opportunities Trust  
TRUSTEE AND OFFICER INFORMATION continued



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

TRUSTEES

Michael Bozic  
Charles A. Fiumefreddo  
Edwin J. Garn  
Wayne E. Hedien  
James F. Higgins  
Dr. Manuel H. Johnson  
Joseph J. Kearns  
Michael E. Nugent  
Fergus Reid

OFFICERS

Charles A. Fiumefreddo  
Chairman of the Board

Mitchell M. Merin  
President

Ronald E. Robison  
Executive Vice President and Principal Executive Officer

Joseph J. McAlinden  
Vice President

Barry Fink  
Vice President

Amy R. Doberman  
Vice President

Carsten Otto  
Chief Compliance Officer

Stefanie V. Chang  
Vice President

Francis J. Smith  
Treasurer and Chief Financial Officer

Thomas F. Caloia  
Vice President

Mary E. Mullin  
Secretary

TRANSFER AGENT

Morgan Stanley Trust  
Harborside Financial Center, Plaza Two  
Jersey City, New Jersey 07311

INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

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

INVESTMENT ADVISER

Morgan Stanley Investment Advisors Inc.

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

1221 Avenue of the Americas  
New York, New York 10020

Investments and services offered through Morgan Stanley DW Inc., member SIPC.

(c) 2005 Morgan Stanley

[MORGAN STANLEY LOGO]

MORGAN STANLEY FUNDS

Morgan Stanley  
Municipal Income  
Opportunities Trust

Annual Report  
May 31, 2005

[MORGAN STANLEY LOGO]

38532RPT-RA05-00546P-Y05/05

Item 2. Code of Ethics.

(a) The Fund has adopted a code of ethics (the "Code of Ethics") that applies to its principal executive officer, principal financial officer, 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) The Fund has amended its Code of Ethics during the period covered by the shareholder report presented in Item 1 hereto to delete from the end of the following paragraph on page 2 of the Code the phrase "to the detriment of the Fund.":

"Each Covered Officer must not use his personal influence or personal relationship improperly to influence investment decisions or financial reporting by the Fund whereby the Covered Officer would benefit personally (directly or indirectly)."

(d) Not applicable.

(e) Not applicable.

(f)

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

(2) Not applicable.

(3) Not applicable.

Item 3. Audit Committee Financial Expert.

The Fund's Board of Trustees has determined that it has two "audit committee financial experts" serving on its audit committee, each of whom are "independent" Trustees: Dr. Manuel H. Johnson and Joseph J. Kearns. 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



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

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:

2005	REGISTRANT	COVERED ENTITIES (1)
AUDIT FEES.....	\$ 30,048	N/A
NON-AUDIT FEES		
AUDIT-RELATED FEES....	\$ 540 (2)	\$ 3,215,745 (2)
TAX FEES.....	\$ 4,585 (3)	\$ 24,000 (4)
ALL OTHER FEES.....	\$ -	\$ -
TOTAL NON-AUDIT FEES.....	\$ 5,125	\$ 3,239,745
TOTAL.....	\$ 35,173	\$ 3,239,745
2004	REGISTRANT	COVERED ENTITIES (1)
AUDIT FEES.....	\$ 28,990	N/A
NON-AUDIT FEES		
AUDIT-RELATED FEES....	\$ 452 (2)	\$ 3,364,576 (2)
TAX FEES.....	\$ 4,134 (3)	\$ 652,431 (4)
ALL OTHER FEES.....	\$ -	\$ - (5)
TOTAL NON-AUDIT FEES.....	\$ 4,586	\$ 4,017,007
TOTAL.....	\$ 33,576	\$ 4,017,007

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.

2

(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.

3

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

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

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

6

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

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

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 Trust/Fund has a separately-designated standing audit committee established in accordance with Section 3(a)(58)(A) of the Exchange Act whose members are: Michael Bozic, Edwin J. Garn, Wayne E. Hedien, Manual H. Johnson, Joseph J. Kearns, Michael Nugent and Fergus Reid.

(b) Not applicable.

Item 6.

See Item 1.

7

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

The Fund 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.

8

Item 9. Closed-End Fund Repurchases

REGISTRANT PURCHASE OF EQUITY SECURITIES

(a) Total  
Number of  
Shares (or

(b) Average

(c) Total  
Number of  
Shares (or  
Units)  
Purchased as  
Part of Publicly  
Announced

(d) M  
Numbe  
Appro  
Dolla  
of Sh  
Units  
Yet B  
Purch

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

Period	Units) Purchased	Price Paid per Share (or Unit)	Plans or Programs	Under or Pr
June 1, 2004 -- June 30, 2004	78,600	\$7.0099	N/A	
July 1, 2004-- July 31, 2004	67,100	\$7.1206	N/A	
August 1, 2004- August 31, 2004	60,900	\$7.2194	N/A	
September 1, 2004-- September 30, 2004	40,700	\$7.3497	N/A	
October 1, 2004-- October 31, 2004	55,900	\$7.5383	N/A	
November 1, 2004 -- November 31, 2004	57,200	\$7.5301	N/A	
December 1, 2004 -- December 31, 2004	51,800	\$7.6013	N/A	
January 1, 2005-- January 31, 2005	60,300	\$7.6396	N/A	
February 1, 2005 - February 28, 2005	56,200	\$7.7126	N/A	
March 1, 2005 - March 31, 2005	68,685	\$7.6433	N/A	
April 1, 2005 - April 30, 2005	63,000	\$7.6914	N/A	
May 1, 2005 - May 31, 2005	25,644	\$7.8179	N/A	
Total	686,029	\$7.4895	N/A	

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

Not applicable.

Item 11. Controls and Procedures

(a) The 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 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 registrant's most recent fiscal half-year (the registrant's second fiscal half-year in the case of an annual 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.

10

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934 and the 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 20, 2005

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 20, 2005

/s/ Francis Smith  
Francis Smith  
Principal Financial Officer  
July 20, 2005

11