

MORGAN STANLEY MUNICIPAL INCOME OPPORTUNITIES TRUST  
Form N-CSR  
August 07, 2009

**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)

Randy Takian

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, 2009

Date of reporting period: May 31, 2009

Item 1 Report to Shareholders

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## INVESTMENT MANAGEMENT

Welcome, Shareholder:

In this report, you will 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).**

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## Fund Report

For the year ended May 31, 2009

### Market Conditions

In the final months of 2008, as the credit crisis unfolded, extreme risk aversion and a flight to quality, among other factors, caused municipal bond prices to reach their cheapest levels in history relative to Treasury bonds. In 2009, however, municipal bond market performance improved as credit concerns eased, deleveraging slowed, and investors re-entered the market, pushing yields lower across the municipal yield curve. As of the end of May, however, yields on long-maturity municipal bonds still exceeded those of comparable Treasuries. For the overall reporting year, the 30-year municipal-to-Treasury ratio increased from 96 percent to 105 percent, indicating that municipals underperformed Treasuries while becoming relatively cheaper.

High yield municipal credit spreads widened considerably in the first seven months of the reporting period. As the market began to rally in 2009, spreads contracted from 636 basis points at the start of the year to 506 basis points by the end of May. Although the high yield municipal bond market rebounded in 2009 to date, performance still lagged that of the investment grade segment for the overall period due in large part to the extremely risk-averse environment in late 2008. For the 12-month period ended May 31, 2009, the Barclays Capital High Yield Municipal Bond Index (the Index) returned -12.53 percent whereas the Barclays Capital Municipal Bond Index returned 3.57 percent.

With regard to municipal market sectors, the largest sectors within the Index were industrial development revenue/pollution control revenue (IDR/PCR), hospitals and special tax districts. For the period, the IDR/PCR sector (i.e., corporate-backed bonds) outpaced the Index with a -11.35 percent return which was driven largely by the strong recovery of airline bonds in the first few months of 2009. The hospital sector performed roughly in-line with the Index, returning -12.12 percent while the special tax district sector lagged with a -15.62 percent return.

For the first five months of 2009, municipal bond issuance was down 18 percent versus the same period in 2008. In a reversal from the last months of 2008, municipal bond funds experienced significant net inflows as investors recognized the historical cheapness of the municipal sector.

### Performance Analysis

For the 12-month period ended May 31, 2009, the net asset value (NAV) of Morgan Stanley Municipal Income Opportunities Trust (OIA) decreased from \$7.38 to \$5.90 per share. Based on this change plus reinvestment of tax-free dividends totaling \$0.4575 per share and a short-term capital gain distribution of \$0.005396, the Fund's total NAV return was -13.61 percent. OIA's value on the New York Stock Exchange (NYSE) moved from \$7.87 to \$5.67 per share during the same period. Based on this change plus reinvestment of dividends and distributions, the Fund's total market return was -22.15 percent. OIA's NYSE market price was at a 3.90 percent discount to its NAV. During the fiscal period, the Fund purchased and retired 29,201 shares of common stock at a weighted average market discount of 13.98 percent. *Past performance is no guarantee of future results.*

Monthly dividends for the second quarter of 2009, declared in April, decreased from \$0.03875 to

2

\$0.035 per share. The dividend reflects the current level of the Fund's net investment income. OIA's level of undistributed net investment income was \$0.034 per share on May 31, 2009 versus \$0.047 per share 12 months earlier.<sup>1</sup>

The primary contributors to the Fund's performance during the reporting period included holdings in the housing sector. Although the sector struggled early in the period, it has since recovered strongly and the portfolio's exposure in that sector, as well as strong security selection, were additive to returns. The Fund's allocation to pre-refunded\* bonds also enhanced performance; these high quality, short maturity securities benefited from the outperformance of the high grade segment of the market and the front end of the municipal yield curve.

Other positions, however, were less advantageous. The Fund's emphasis on high yield bonds, which represented approximately two-thirds of portfolio assets, held back performance for the overall period. Although the high yield market rallied in 2009, the gains were not enough to offset the underperformance of high yield bonds in prior months. Holdings in the health care sector, particularly within the life care sub-sector, also dampened performance. Lastly, an emphasis on long-maturity bonds within the portfolio was a detractor as the long end of the municipal yield curve underperformed the intermediate and short end for the overall reporting year.

Sector exposure was relatively unchanged with the exception of the airline sector, where we began to gradually increase exposure when valuations became too low, in our opinion. Overall, the Fund's investments remained well-diversified across a broad range of sectors, the largest weightings of which were in the life care, hospital and IDR/PCR sectors as of the end of the period.

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 share repurchase program 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 as discussed herein or that securities in such sectors will be held by the Fund in the future.*

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

*\* Pre-refunding, or advance refunding, is a financing structure under which new bonds are issued to repay an outstanding bond issue, generally on its first call date. The proceeds from the new issuance are held in an escrow of high quality U.S. government securities dedicated solely to pay interest and principal on the outstanding bond issue. Pre-refunded bonds are the outstanding bonds that will be refunded from this escrow and therefore, are typically rated AAA .*

**TOP FIVE SECTORS as of 05/31/09**

|                        |       |
|------------------------|-------|
| Life Care              | 24.2% |
| Special Tax Districts  | 14.9  |
| Hospital               | 13.6  |
| IDR/PCR                | 11.1  |
| Mortgage-Single Family | 5.5   |

**LONG-TERM CREDIT ANALYSIS as of 05/31/09**

|               |      |
|---------------|------|
| Aaa/AAA       | 7.3% |
| Aa/AA         | 6.1  |
| A/A           | 4.3  |
| Baa/BBB       | 10.0 |
| Ba/BB or Less | 9.4  |
| Non-Rated     | 62.9 |

**SUMMARY OF INVESTMENTS BY STATE CLASSIFICATION as of 05/31/09**

|                |        |
|----------------|--------|
| Florida        | 17.7 % |
| Texas          | 7.8    |
| Illinois       | 7.7    |
| Missouri       | 6.6    |
| Pennsylvania   | 5.7    |
| New York       | 5.0    |
| New Jersey     | 5.0    |
| California     | 4.5    |
| Colorado       | 4.1    |
| New Hampshire  | 3.5    |
| Massachusetts  | 3.1    |
| Ohio           | 2.5    |
| Tennessee      | 2.1    |
| Hawaii         | 2.0    |
| Michigan       | 1.9    |
| South Carolina | 1.7    |
| Nevada         | 1.7    |
| Arizona        | 1.6    |
| Virginia       | 1.6    |
| Maryland       | 1.5    |
| Iowa           | 1.5    |
| Washington     | 1.5    |
| Minnesota      | 1.5    |
| Connecticut    | 1.3    |
| Georgia        | 1.3    |
| Louisiana      | 1.3    |
| North Dakota   | 1.2    |
| Alabama        | 1.0    |
| Oklahoma       | 0.9    |
| Utah           | 0.7    |

|  |         |
|--|---------|
| District of Columbia                         | 0.7     |
| Idaho  | 0.6     |
| Kansas                                       | 0.6     |
| West Virginia                                | 0.6     |
| Wisconsin                                    | 0.5     |
| Mississippi                                  | 0.3     |
| North Carolina                               | 0.2     |
| Total Long-Term Investments                  | 103.0   |
| Short-Term Investments                       | 0.6     |
| Liability for Floating Rate Note Obligations | (5.5 )  |
| Other Assets in Excess of Liabilities        | 1.9     |
| Net Assets                                   | 100.0 % |

*Subject to change daily. Provided for informational purposes only and should not be deemed as 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 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 firm engaged in securities trading and brokerage activities, investment banking, research and analysis, financing and financial advisory services. Rating allocation based upon ratings as issued by Standard and Poor's and Moody's, respectively.*

### **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](http://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](mailto:publicinfo@sec.gov)) or by writing the public reference section of the SEC, Washington, DC 20549-0102.**

**Morgan Stanley Municipal Income Opportunities Trust**  
**Portfolio of Investments - May 31, 2009**

| PRINCIPAL<br>AMOUNT IN<br>THOUSANDS |  | COUPON<br>RATE | MATURITY<br>DATE | VALUE      |
|-------------------------------------|--|----------------|------------------|------------|
|                                     | <b>Tax-Exempt Municipal Bonds (103.0%)</b>   |                |                  |            |
|                                     | <i>Alabama (1.0%)</i>  |                |                  |            |
| \$ 1,000                            | Colbert County Northwest Health Care Authority, Helen Keller Hospital Ser 2003                         | 5.75 %         | 06/01/27         | \$ 844,290 |
| 400                                 | Cullman Medical Clinic Board, Cullman Medical Park South, Regional Medical Center, Inc. Ser 1993-A     | 6.50           | 02/15/23         | 376,464    |
|                                     |  |                |                  | 1,220,754  |
|                                     | <i>Arizona (1.6%)</i>  |                |                  |            |
| 1,225                               | Pima County Industrial Development Authority, Constellation Schools Ser 2008                           | 7.00           | 01/01/38         | 945,896    |
| 800                                 | Pima County Industrial Development Authority, Water & Wastewater Global Water Ressources LLC Ser (AMT) | 6.55           | 12/01/37         | 566,568    |
| 400                                 | Pinal County Electrical District #4, Electric System Ser 2008  | 6.00           | 12/01/38         | 348,580    |
|                                     |  |                |                  | 1,861,044  |
|                                     | <i>California (4.5%)</i>   |                |                  |            |
| 1,760                               | California County Tobacco Securitization Agency, Gold County Settlement Funding Corp Ser 2006 (e)      | 0.00           | 06/01/33         | 181,544    |
| 335                                 | California Municipal Finance Authority Educational Facility, High Tech High-Media Arts Ser 2008 A (b)  | 5.875          | 07/01/28         | 250,727    |
| 1,000                               | California Statewide Communities Development Authority, California Baptist University Ser 2007 A       | 5.50           | 11/01/38         | 631,430    |
| 400                                 | California Statewide Communities Development Authority, Thomas Jefferson School of Law Ser 2008 A      | 7.25           | 10/01/38         | 336,192    |
| 995                                 | Daly City Housing Development Finance Agency, Franciscan Mobile Home Park Third Tier Refg Ser 2007 C   | 6.50           | 12/15/47         | 735,574    |
| 3,000                               | Golden State Tobacco Securitization Corporation, Asset Backed Ser 2007 A-1                             | 5.125          | 06/01/47         | 1,794,599  |
| 800                                 | Quechan Indian Tribe FT Yuma Indian Reservation Ser 2008   | 7.00           | 12/01/27         | 563,800    |
| 1,000                               |  | 5.10           | 09/01/35         | 654,950    |



|        |   |      |          |           |
|--------|---|------|----------|-----------|
|        | Santa Ana, Unified School District Community Facilities, District # 2004-1, California, Central Park Ser 2005 |      |          |           |
|        | Silicon Valley Tobacco Securitization Authority, Santa Clara Tobacco Securitization Corp Ser 2007 C (e)       | 0.00 | 06/01/56 | 99,060    |
| 13,000 |   |      |          |           |
|        |   |      |          | 5,247,876 |
|        | <i>Colorado (4.1%)</i>  |      |          |           |
|        | Colorado Health Facilities Authority, Christian Living Communities Ser 2006 A                                 | 5.75 | 01/01/37 | 697,460   |
| 1,000  |   |      |          |           |
|        | Colorado Health Facilities Authority, Christian Living Communities Ser 2006 A                                 | 9.00 | 01/01/34 | 509,210   |
| 500    |   |      |          |           |
|        | Colorado Housing & Finance Authority, 1998 Ser B-3  | 6.35 | 11/01/29 | 287,585   |
| 280    |   |      |          |           |
|        | Copperleaf Metropolitan District # 2, Ser 2006  | 5.95 | 12/01/36 | 563,200   |
| 1,000  |   |      |          |           |

*See Notes to Financial Statements*

**Morgan Stanley Municipal Income Opportunities Trust**  
**Portfolio of Investments - May 31, 2009** *continued*

| PRINCIPAL<br>AMOUNT IN<br>THOUSANDS |  | COUPON<br>RATE | MATURITY<br>DATE | VALUE        |
|-------------------------------------|--|----------------|------------------|--------------|
| \$ 2,000                            | Elk Valley Public Improvement Corporation,<br>Ser 2001 A   | 7.35 %         | 09/01/31         | \$ 1,628,700 |
| 2,000                               | Northwest Metropolitan District #3, Ser 2005   | 6.25           | 12/01/35         | 1,063,660    |
|                                     |  |                |                  | 4,749,815    |
|                                     | <i>Connecticut (1.3%)</i>  |                |                  |              |
| 2,000                               | Georgetown Special Taxing District,<br>Ser 2006 A (b)  | 5.125          | 10/01/36         | 924,860      |
| 1,000                               | Mashantucket (Western) Pequot Tribe, Special<br>1997 Ser B (b)   | 5.75           | 09/01/27         | 552,620      |
|                                     |  |                |                  | 1,477,480    |
|                                     | <i>District of Columbia (0.7%)</i>   |                |                  |              |
| 540                                 | District of Columbia, Refg Ser 2009B (a)<br>Metropolitan Washington Airports Authority,<br>District of Columbia & Virginia, CaterAir | 5.00           | 12/01/25         | 577,863      |
| 260                                 | International Corp Ser 1991 (AMT) (c)  | 10.125         | 09/01/11         | 253,469      |
|                                     |  |                |                  | 831,332      |
|                                     | <i>Florida (17.7%)</i>   |                |                  |              |
| 500                                 | Alachua County Florida Industrial Development<br>Revenue, North Florida Retirement Village<br>Ser 2007                               | 5.25           | 11/15/17         | 427,065      |
| 800                                 | Alachua County Florida Industrial Development<br>Revenue, North Florida Retirement Village<br>Ser 2007                               | 5.875          | 11/15/36         | 570,304      |
| 1,855                               | Beacon Lakes, Community Development<br>District, Ser 2003 A  | 6.90           | 05/01/35         | 1,352,499    |
| 935                                 | Bellalago Educational Facilities Benefits<br>District, Bellalago Charter School Ser 2004 B   | 5.80           | 05/01/34         | 723,671      |
| 645                                 | Brevard County Fla Health Facilities Authority,<br>Buena Vida Estates, Inc Ser 2007  | 6.75           | 01/01/37         | 514,994      |
| 2,960                               | Broward County Professional Sports Facilities,<br>Civic Arena Refg 2006 A<br>(FSA AMBAC Insd) (a)                                    | 5.00           | 09/01/23         | 3,037,426    |
| 2,780                               | Escambia County, Pensacola Care Development<br>Centers Ser 1989  | 10.25          | 07/01/11         | 2,783,614    |
| 645                                 | Escambia County, Pensacola Care Development<br>Centers Ser 1989 A  | 10.25          | 07/01/11         | 645,838      |

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| 980   | Fiddlers Creek Community Development<br>District #1 Ser 2005 (f)                                   | 6.00  | 05/01/38 | 636,480   |
| 500   | Fountainbleau Lakes Community Development<br>District Ser 2007 B                                   | 6.00  | 05/01/15 | 400,010   |
| 750   | Grand Bay At Doral Community Development<br>District Ser 2007 A                                    | 6.00  | 05/01/39 | 384,945   |
| 1,000 | Lee County Florida Industrial Development<br>Authority Ser 2007 A                                  | 5.375 | 06/15/37 | 584,450   |
| 500   | Miami Beach Health Facilities Authority,<br>Mount Sinai Medical Center,<br>Refg Ser 2004           | 6.75  | 11/15/21 | 423,490   |
| 1,000 | Midtown Miami Community Development<br>District, Parking Garage Ser 2004 A                         | 6.25  | 05/01/37 | 664,390   |
| 2,000 | Orange County Florida Health Facilities<br>Authority, Orlando Lutheran Towers Inc,<br>Ser 2007     | 5.50  | 07/01/32 | 1,305,160 |
| 500   | Orange County Health Facilities Authority,<br>Orlando Lutheran Towers Inc Ser 2005                 | 5.70  | 07/01/26 | 362,680   |
| 1,000 | Orange County Health Facilities Authority,<br>Westminister Community Care Services Inc<br>Ser 1999 | 6.75  | 04/01/34 | 809,140   |
| 1,000 | Pinellas County Health Facilities Authority,<br>Florida, Oaks of Clearwater Ser 2004               | 6.25  | 06/01/34 | 879,070   |

*See Notes to Financial Statements*

**Morgan Stanley Municipal Income Opportunities Trust**  
**Portfolio of Investments - May 31, 2009** *continued*

| PRINCIPAL<br>AMOUNT IN<br>THOUSANDS |   | COUPON<br>RATE | MATURITY<br>DATE | VALUE      |
|-------------------------------------|---|----------------|------------------|------------|
| \$ 950                              | Renaissance Commons Community<br>Development District, 2005 Ser A   | 5.60 %         | 05/01/36         | \$ 586,710 |
| 2,860                               | South Miami Health Facilities Authority, Baptist<br>Health South Florida Obligated Group<br>Ser 2007 (a)  | 5.00           | 08/15/32         | 2,695,121  |
| 500                                 | Split Pine Community Development District,<br>Ser 2007 A  | 5.25           | 05/01/39         | 279,165    |
| 600                                 | Tolomato Community Development District,<br>Special Assessment Ser 2007                                   | 6.55           | 05/01/27         | 438,570    |
|                                     |   |                |                  | 20,504,792 |
| 2,000                               | <i>Georgia (1.3%)</i><br>Atlanta, Eastside Ser 2005 B   | 5.60           | 01/01/30         | 1,478,220  |
| 1,000                               | <i>Hawaii (2.0%)</i><br>Hawaii Department of Budget & Finance,<br>Kahala Nui Ser 2003 A                   | 8.00           | 11/15/33         | 985,710    |
| 1,220                               | Hawaii Ser 2008 DK (a)  | 5.00           | 05/01/23         | 1,328,355  |
|                                     |   |                |                  | 2,314,065  |
| 975                                 | <i>Idaho (0.6%)</i><br>Idaho Health Facilities Authority Revenue,<br>Valley Vista Care Corp Refg Ser 2007 | 6.125          | 11/15/27         | 725,166    |
| 1,000                               | <i>Illinois (7.7%)</i><br>Bolingbrook, Sales Tax Ser 2005   | 6.25           | 01/01/24         | 520,000    |
| 750                                 | Bolingbrook, Will & Dupage Counties Special<br>Service Area #2005-1 Ser 2005                              | 5.90           | 03/01/27         | 529,065    |
| 2,000                               | Chicago Lake Shore East Ser 2002  | 6.75           | 12/01/32         | 1,478,299  |
| 500                                 | Hampshire Illinois Special Service Area #18<br>Crown Development Projects Tamms<br>Farm-Ser 2007 A        | 6.00           | 03/01/44         | 252,720    |
| 1,000                               | Illinois Finance Authority, Elmhurst Memorial<br>Healthcare Ser 2008 A                                    | 5.625          | 01/01/37         | 845,740    |
| 1,000                               | Illinois Finance Authority, Landing at Plymouth<br>Ser 2005 A   | 6.00           | 05/15/37         | 718,700    |
| 1,000                               | Illinois Finance Authority, Luther Oaks<br>Ser 2006 A   | 6.00           | 08/15/39         | 685,690    |
| 1,650                               | Illinois Finance Authority, Montgomery Place<br>Ser 2006 A  | 5.75           | 05/15/38         | 1,136,024  |

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| 1,200 | Illinois Toll Highway Authority, 2008 Ser B (a)<br>Lincolnshire, Service Area #1-Sedgebrook   | 5.50 | 01/01/33 | 1,249,076 |
| 725   | Ser 2004<br>Will-Kankakee Regional Development<br>Authority, Senior Estates Supportive Living | 6.25 | 03/01/34 | 484,162   |
| 650   | Ser 2007 (AMT)<br>Yorkville Special Service Area #2006-113,                                   | 7.00 | 12/01/42 | 501,390   |
| 1,000 | Cannonball/Beecher Road Ser 2007  | 5.75 | 03/01/28 | 559,490   |
|       |   |      |          | 8,960,356 |
|       | <i>Iowa (1.5%)</i>  |      |          |           |
| 750   | Iowa Finance Authority Health Care Facilities,<br>Madrid Homes Ser 2007                       | 5.90 | 11/15/37 | 509,108   |
| 1,000 | Iowa Finance Authority, Bethany Life<br>Communities Refg Ser 2006 A                           | 5.55 | 11/01/41 | 641,180   |
| 785   | Jefferson County Hospital Revenue, Ser 2007 C   | 5.95 | 08/01/37 | 540,834   |
|       |   |      |          | 1,691,122 |
|       | <i>Kansas (0.6%)</i>  |      |          |           |
| 900   | Olathe, Catholic Care Ser 2006 A  | 6.00 | 11/15/38 | 650,268   |

*See Notes to Financial Statements*

**Morgan Stanley Municipal Income Opportunities Trust**  
**Portfolio of Investments - May 31, 2009** *continued*

| PRINCIPAL<br>AMOUNT IN<br>THOUSANDS |   | COUPON<br>RATE | MATURITY<br>DATE | VALUE      |
|-------------------------------------|---|----------------|------------------|------------|
|                                     | <i>Louisiana (1.3%)</i>   |                |                  |            |
| \$ 794                              | Lakeshore Villages Master Community<br>Development District, Special Assessment<br>Ser 2007                     | 5.25 %         | 07/01/17         | \$ 619,820 |
| 600                                 | Louisiana Public Facilities Authority, Lake<br>Charles Memorial Hospital Refg Ser 2007                          | 6.375          | 12/01/34         | 442,824    |
| 500                                 | St. John Baptist Parish, Marathon Oil<br>Corporation Ser 2007 A   | 5.125          | 06/01/37         | 423,680    |
|                                     |   |                |                  | 1,486,324  |
|                                     | <i>Maryland (1.5%)</i>  |                |                  |            |
| 1,000                               | Maryland Economic Development Corporation,<br>Chesapeake Bay Conference Center Ser 2006 A                       | 5.00           | 12/01/31         | 522,250    |
| 750                                 | Maryland Health & Higher Educational Facilities<br>Authority, King Farm Presbyterian Community<br>Ser 2007 A    | 5.30           | 01/01/37         | 436,725    |
| 800                                 | Maryland Health & Higher Educational Facilities<br>Authority, Washington Christian Academy<br>Ser 2006          | 5.50           | 07/01/38         | 415,888    |
| 500                                 | Maryland Industrial Development Financing<br>Authority, Our Lady of Good Counsel High<br>School Ser 2005 A      | 6.00           | 05/01/35         | 375,495    |
|                                     |   |                |                  | 1,750,358  |
|                                     | <i>Massachusetts (3.1%)</i>   |                |                  |            |
| 425                                 | Massachusetts Development Finance Agency,<br>Linden Ponds, Inc Facility Ser 2007 A                              | 5.75           | 11/15/42         | 258,778    |
| 1,500                               | Massachusetts Development Finance Agency,<br>Loomis Communities Ser 1999 A                                      | 5.75           | 07/01/23         | 1,289,685  |
| 1,570                               | Massachusetts Development Finance Agency,<br>New England Center for Children Ser 1998                           | 5.875          | 11/01/18         | 1,327,812  |
| 1,000                               | Massachusetts Health & Educational Facilities<br>Authority, The Learning Center for Deaf<br>Children Ser 1999 C | 6.125          | 07/01/29         | 760,110    |
|                                     |   |                |                  | 3,636,385  |
|                                     | <i>Michigan (1.9%)</i>  |                |                  |            |
| 500                                 | Dearborn Economic Development Corporation,<br>Henry Ford Village, Inc Refg Ser 2008                             | 7.00           | 11/15/28         | 424,810    |

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|-------|--|-------|----------|-----------|
| 400   | Michigan Strategic Fund Limited Obligation<br>Revenue, Refg Ser 2003 A-1 (AMT) | 6.75  | 12/01/28 | 403,432   |
| 2,000 | Michigan Tobacco Settlement Finance Authority,<br>Ser 2007 A                   | 6.00  | 06/01/48 | 1,390,500 |
|       |  |       |          | 2,218,742 |
|       | <i>Minnesota (1.5%)</i>  |       |          |           |
| 450   | Brooklyn Park, Prairie Seeds Academy<br>Ser 2009 A                             | 9.25  | 03/01/39 | 468,491   |
| 600   | Minneapolis Health Care System, Fairview<br>Health Services Ser 2008 A         | 6.75  | 11/15/32 | 633,438   |
| 750   | North Oaks, Presbyterian Homes of North Oaks<br>Ser 2007                       | 6.125 | 10/01/39 | 614,603   |
|       |  |       |          | 1,716,532 |

*See Notes to Financial Statements*

**Morgan Stanley Municipal Income Opportunities Trust**  
**Portfolio of Investments - May 31, 2009** *continued*

| PRINCIPAL<br>AMOUNT IN<br>THOUSANDS |   | COUPON<br>RATE | MATURITY<br>DATE | VALUE      |
|-------------------------------------|---|----------------|------------------|------------|
|                                     | <i>Mississippi (0.3%)</i>   |                |                  |            |
| \$ 400                              | Mississippi Business Finance Corporation,<br>System Energy Resources, Inc. Ser 1998                               | 5.875 %        | 04/01/22         | \$ 371,480 |
|                                     | <i>Missouri (6.6%)</i>  |                |                  |            |
| 750                                 | Branson Hills Community Improvement District<br>Ser 2007 A  | 5.50           | 04/01/27         | 552,578    |
| 500                                 | Branson Regional Airport Transportation<br>Development District Ser 2007 B (AMT)                                  | 6.00           | 07/01/37         | 322,490    |
| 2,000                               | Des Peres, West County Center Ser 2002<br>Fenton, Gravois Bluffs Redevelopment                                    | 5.75           | 04/15/20         | 1,721,920  |
| 3,850                               | Ser 2001 A  | 7.00           | 10/01/21         | 4,374,369  |
|                                     | St Louis County Industrial Development<br>Authority, St Andrews Resources for Seniors                             |                |                  |            |
| 750                                 | Ser 2007 A  | 6.375          | 12/01/41         | 546,443    |
|                                     | St Louis Industrial Development Authority,<br>Rsnken-Jordan Refg Ser 2007   | 5.00           | 11/15/22         | 167,458    |
|                                     |   |                |                  | 7,685,258  |
|                                     | <i>Nevada (1.7%)</i>  |                |                  |            |
| 450                                 | Henderson, Local Improvement District #T-18,<br>Ser 2006  | 5.30           | 09/01/35         | 162,099    |
| 500                                 | Las Vegas Redevelopment Agency, Tax<br>Increment Revenue Ser 2009 A   | 8.00           | 06/15/30         | 530,430    |
| 1,050                               | Mesquite Nevada Special Improvement<br>District #07-01 Local Improvement-Anthem at<br>Mesquite Ser 2007           | 6.00           | 08/01/23         | 744,786    |
|                                     | Director of the State of Nevada Department of<br>Business & Industry, Las Vegas Monorail 2nd<br>Tier Ser 2000 (f) | 7.375          | 01/01/40         | 50,000     |
| 600                                 | Sparks Local Improvement District # 3 Ser 2008  | 6.50           | 09/01/20         | 503,508    |
|                                     |   |                |                  | 1,990,823  |
|                                     | <i>New Hampshire (3.5%)</i>   |                |                  |            |
| 7,160                               | New Hampshire Housing Finance Authority,<br>Single Family Residential 1983 Ser B                                  | 0.00           | 01/01/15         | 4,026,282  |
|                                     | <i>New Jersey (5.0%)</i>  |                |                  |            |
| 1,000                               | New Jersey Economic Development Authority,<br>Franciscan Oaks Ser 1997  | 5.70           | 10/01/17         | 873,280    |



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|       |   |       |          |           |
|-------|---|-------|----------|-----------|
| 730   | New Jersey Economic Development Authority,<br>Lions Gate Ser 2005 A                             | 5.875 | 01/01/37 | 545,500   |
| 700   | New Jersey Economic Development Authority,<br>Seashore Gardens Living Center Ser 2006           | 5.375 | 11/01/36 | 461,797   |
| 1,000 | New Jersey Economic Development Authority,<br>The Presbyterian Home at Montgomery<br>Ser 2001 A | 6.375 | 11/01/31 | 765,490   |
| 2,000 | New Jersey Economic Development Authority,<br>United Methodist Homes of New Jersey Ser 1998     | 5.125 | 07/01/25 | 1,383,480 |
| 2,000 | New Jersey Health Care Facilities Financing<br>Authority, Raritan Bay Medical Center Ser 1994   | 7.25  | 07/01/27 | 1,678,320 |
|       |   |       |          | 5,707,867 |
|       | <i>New York (5.0%)</i>  |       |          |           |
| 3,000 | Brookhaven Industrial Development Agency,<br>Woodcrest Estates Ser 1998 A (AMT)                 | 6.375 | 12/01/37 | 2,244,270 |
| 235   | Mount Vernon Industrial Development Agency,<br>Meadowview at the Wartburg Ser 1999              | 6.00  | 06/01/09 | 234,986   |

*See Notes to Financial Statements*

**Morgan Stanley Municipal Income Opportunities Trust**  
**Portfolio of Investments - May 31, 2009** *continued*

| PRINCIPAL<br>AMOUNT IN<br>THOUSANDS |  | COUPON<br>RATE | MATURITY<br>DATE | VALUE      |
|-------------------------------------|--|----------------|------------------|------------|
| \$ 625                              | Nassau County Industrial Development Agency,<br>Continuing Care Retirement Community<br>Revenue, Amsterdam at Harborside Project<br>Ser 2007 A | 6.50 %         | 01/01/27         | \$ 520,063 |
| 1,800                               | New York City Industrial Development Agency,<br>7 World Trade Center LLC Ser 2005 A  | 6.50           | 03/01/35         | 1,303,812  |
| 500                                 | New York City Industrial Development Agency<br>Civic Facility, Polytechnic University Refg<br>Ser 2007 (ACA Insd)                              | 5.25           | 11/01/37         | 401,715    |
| 1,000                               | New York Liberty Development Corporation,<br>National Sports Museum, Ser 2006 A (f)  | 6.125          | 02/15/19         | 1,000      |
| 1,500                               | Suffolk County Industrial Development Agency,<br>Medford Hamlet Ser 2006   | 6.375          | 01/01/39         | 1,033,230  |
|                                     |  |                |                  | 5,739,076  |
|                                     | <i>North Carolina (0.2%)</i>   |                |                  |            |
| 400                                 | North Carolina Medical Care Commission<br>Healthcare Facilities, Pennsburg at Maryfield<br>Ser 2005 A  | 6.125          | 10/01/35         | 281,568    |
|                                     | <i>North Dakota (1.2%)</i>   |                |                  |            |
| 1,500                               | Grand Forks, Valley Square Ser 2006  | 5.30           | 12/01/34         | 993,060    |
| 500                                 | Ward County, Health Care Facilities Trinity<br>Obligated Group Ser 2006  | 5.125          | 07/01/29         | 383,245    |
|                                     |  |                |                  | 1,376,305  |
|                                     | <i>Ohio (2.5%)</i>   |                |                  |            |
| 1,900                               | Buckeye Tobacco Settlement Financing<br>Authority, Asset-Backed Ser 2007 A-2   | 5.875          | 06/01/30         | 1,490,854  |
| 600                                 | Centerville Health Care, Bethany Lutheran<br>Village Ser 2007 A  | 6.00           | 11/01/38         | 428,700    |
| 850                                 | Cuyahoga County Health Care & Independent<br>Living Facilities, Eliza Jennings Senior Care<br>Ser 2007 A                                       | 5.75           | 05/15/27         | 609,705    |
| 450                                 | Tuscarawas County Hospital Facilities, The Twin<br>City Hospital Ser 2007  | 6.35           | 11/01/37         | 345,317    |
|                                     |  |                |                  | 2,874,576  |
|                                     | <i>Oklahoma (0.9%)</i>   |                |                  |            |

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|       |  |       |          |           |
|-------|--|-------|----------|-----------|
| 650   | Chickasaw Nation Health Systems Ser 2007   | 6.25  | 12/01/32 | 551,597   |
|       | Citizen Potawatomi Nation Senior Obligation Tax                                    |       |          |           |
| 500   | Revenue, Ser 2004 A  | 6.50  | 09/01/16 | 479,030   |
|       |  |       |          | 1,030,627 |
|       | <i>Pennsylvania (5.7%)</i>   |       |          |           |
| 2,300 | Allegheny County Hospital Development Authority, West Penn Ser 2007 A              | 5.375 | 11/15/40 | 1,387,084 |
| 1,500 | Bucks County Industrial Development Authority, Ann s Choice Ser 2005 A             | 6.125 | 01/01/25 | 1,189,230 |
| 1,000 | Chester County Health & Education Facilities Authority, Jenner s Pond Inc Ser 2002 | 7.625 | 07/01/34 | 1,197,870 |
| 750   | Harrisburg Authority, Harrisburg University of Science & Technology Ser 2007 B     | 6.00  | 09/01/36 | 600,795   |
| 1,000 | Montgomery County Industrial Development Authority, Whitemarsh Community Ser 2005  | 6.25  | 02/01/35 | 655,130   |

*See Notes to Financial Statements*

**Morgan Stanley Municipal Income Opportunities Trust**  
**Portfolio of Investments - May 31, 2009** *continued*

| PRINCIPAL<br>AMOUNT IN<br>THOUSANDS |  | COUPON<br>RATE | Maturity<br>DATE | VALUE      |
|-------------------------------------|--|----------------|------------------|------------|
| \$ 1,000                            | Pennsylvania Economic Development Financing Authority, Reliant Energy Inc Ser 2001 A (AMT)       | 6.75 %         | 12/01/36         | \$ 951,350 |
| 1,000                               | Washington County, Victory Centre/Tanger Outlet Redevelopment Authority Ser 2006 A               | 5.45           | 07/01/35         | 591,690    |
|                                     |  |                |                  | 6,573,149  |
|                                     | <i>South Carolina (1.7%)</i>   |                |                  |            |
| 300                                 | Georgetown County, Environmental Improvement Revenue, International Paper Co., Refg Ser 2000 A   | 5.95           | 03/15/14         | 295,983    |
| 1,250                               | Myrtle Beach Tax Increment, Myrtle Beach Air Force Base Ser 2006 A                               | 5.30           | 10/01/35         | 713,488    |
| 750                                 | South Carolina Jobs-Economic Development Authority, Wesley Commons Ser 2006                      | 5.30           | 10/01/36         | 483,893    |
| 625                                 | South Carolina Jobs-Economic Development Authority, Woodlands at Furman Ser 2007 A               | 6.00           | 11/15/37         | 439,125    |
|                                     |  |                |                  | 1,932,489  |
|                                     | <i>Tennessee (2.1%)</i>  |                |                  |            |
| 800                                 | Johnson City Health and Educational Facilities Board, Mountain States Health Alliance Ser 2006 A | 5.50           | 07/01/31         | 696,712    |
| 500                                 | Shelby County Health, Educational & Housing Facilities Board, Trezevant Manor Ser 2006 A         | 5.75           | 09/01/37         | 332,735    |
| 750                                 | Shelby County Health, Educational & Housing Facilities Board, Village at Germantown Ser 2003 A   | 7.25           | 12/01/34         | 634,568    |
| 500                                 | Shelby County Health, Educational & Housing Facilities Board, Village at Germantown Ser 2006     | 6.25           | 12/01/34         | 368,645    |
| 400                                 | Trenton Health and Educational Facilities Board Revenue, Merchant Capital LLC Ser 2009           | 9.25           | 04/01/39         | 401,152    |
|                                     |  |                |                  | 2,433,812  |
|                                     | <i>Texas (7.8%)</i>  |                |                  |            |
| 500                                 | Alliance Airport Authority, Federal Express Corporation Refg Ser 2006 (AMT)                      | 4.85           | 04/01/21         | 412,450    |
| 2,000                               | Austin Convention Enterprises Inc, Convention Center Hotel Ser 2006 B                            | 5.75           | 01/01/34         | 1,402,920  |

|       |   |       |          |         |
|-------|---|-------|----------|---------|
| 400   | Brazos River Harbor Navigation District of Brazoria County, The Dow Chemical Project Ser 2002 A-4 | 5.95  | 05/15/33 | 342,284 |
| 1,000 | Decatur Hospital Authority, Wise Regional Health Ser 2004 A                                       | 7.125 | 09/01/34 | 844,900 |
| 1,250 | HFDC Central Texas Inc, Legacy at Willow Bend, Ser 2006 A   | 5.75  | 11/01/36 | 833,700 |
| 425   | Houston Airport System Special Facilities, Continental Airlines, Inc Ser 2001 E (AMT)             | 6.75  | 07/01/21 | 371,620 |
| 425   | Houston Airport System Special Facilities, Continental Airlines, Inc Ser 2001 E (AMT)             | 6.75  | 07/01/29 | 356,562 |
| 1,000 | Lubbock Health Facilities Development Corporation, Texas, Carillon Ser 2005 A                     | 6.50  | 07/01/26 | 784,910 |

*See Notes to Financial Statements*

**Morgan Stanley Municipal Income Opportunities Trust**  
**Portfolio of Investments - May 31, 2009** *continued*

| PRINCIPAL<br>AMOUNT IN<br>THOUSANDS |  | COUPON<br>RATE | MATURITY<br>DATE | VALUE       |
|-------------------------------------|--|----------------|------------------|-------------|
| \$ 450                              | Tarrant County Cultural Education Facilities<br>Finance Corporation, Northwest Senior<br>Housing Corporation Edgemere Ser 2006 A | 6.00 %         | 11/15/36         | \$ 356,103  |
| 3,350                               | Texas Department of Housing & Community<br>Affairs Ser 2007 B (AMT) (a)  | 5.15           | 09/01/27         | 3,363,574   |
|                                     |  |                |                  | 9,069,023   |
|                                     | <i>Utah (0.7%)</i>   |                |                  |             |
| 1,000                               | Emery County Environmental Improvement,<br>Pacifcorp Ser 1996 (AMT)  | 6.15           | 09/01/30         | 783,740     |
|                                     | <i>Virginia (1.6%)</i>   |                |                  |             |
| 2,000                               | Peninsula Ports Authority of Virginia, Baptist<br>Homes Ser 2006 C   | 5.40           | 12/01/33         | 1,357,080   |
| 700                                 | Peninsula Town Center Community<br>Development Authority Ser 2007  | 6.45           | 09/01/37         | 515,760     |
|                                     |  |                |                  | 1,872,840   |
|                                     | <i>Washington (1.5%)</i>   |                |                  |             |
| 650                                 | Port of Seattle Industrial Development<br>Corporation, Northwest Airlines, Inc Ser 2001<br>(AMT)                                 | 7.25           | 04/01/30         | 534,541     |
| 500                                 | Washington Health Care Facilities Authority,<br>Seattle Cancer Care Alliance Ser 2008  | 7.375          | 03/01/38         | 532,285     |
| 1,000                               | Washington Housing Finance Commission,<br>Skyline at First Hill Ser 2007 A   | 5.625          | 01/01/38         | 638,110     |
|                                     |  |                |                  | 1,704,936   |
|                                     | <i>West Virginia (0.6%)</i>  |                |                  |             |
| 825                                 | West Virginia Hospital Finance Authority,<br>Thomas Health Inc. Ser 2008   | 6.50           | 10/01/38         | 649,894     |
|                                     | <i>Wisconsin (0.5%)</i>  |                |                  |             |
| 600                                 | Wisconsin Health & Educational Facilities<br>Authority, ProHealth Care, Inc Obligated<br>Group Ser 2009                          | 6.375          | 02/15/29         | 621,222     |
|                                     | <b>Total Tax-Exempt Municipal Bonds</b> (Cost \$150,715,434)   |                |                  | 119,245,598 |

|  |                   |          |          |                |
|--|-------------------|----------|----------|----------------|
| <b>Short-Term Tax-Exempt Municipal Bonds (0.6%)</b>  |                   |          |          |                |
| <i>Texas (0.3%)</i>  |                   |          |          |                |
| Harris County Cultural Education Facilities Finance Corporation, Refg Ser 2008 A   |                   |          |          |                |
| 400  | (Demand 06/01/09) | 0.25 (d) | 09/01/31 | 400,000        |
| <i>Utah (0.3%)</i>   |                   |          |          |                |
| Murray City IHC Health Services, Inc.  |                   |          |          |                |
| 300  | (Demand 06/01/09) | 0.25 (d) | 05/15/37 | 300,000        |
| <b>Total Short-Term Tax-Exempt Municipal Bonds (Cost \$700,000)</b>  |                   |          |          | 700,000        |
| <b>Total Investments (Cost \$151,415,434) (h)</b>  |                   |          | 103.6%   | 119,945,598    |
| <b>Other Assets in Excess of Liabilities</b>   |                   |          | 1.9      | 2,196,814      |
| <b>Floating Rate Note and Dealer Trust Obligations Related to Securities Held</b>  |                   |          |          |                |
| Notes with interest rates ranging from 0.32% to 0.64% at May 31, 2009 and contractual maturities of collateral ranging from 05/01/23 to 01/01/33 (See Note 1D) (g) |                   |          |          |                |
| <i>(Cost \$(6,359,000))</i>  |                   |          | (5.5)    | (6,359,000)    |
| <b>Net Assets</b>  |                   |          | 100.0%   | \$ 115,783,412 |

*See Notes to Financial Statements*

**Morgan Stanley Municipal Income Opportunities Trust**  
**Portfolio of Investments - May 31, 2009** *continued*

*AMT* *Alternative Minimum Tax.*

- (a) Underlying security related to inverse floater entered into by the Fund (See Note 1D).*
- (b) Resale is restricted to qualified institutional investors.*
- (c) Joint exemption.*
- (d) Current coupon of variable rate demand obligation.*
- (e) Capital appreciation bond.*
- (f) Non-income producing security. Bond in default.*
- (g) Floating rate note obligations related to securities held. The interest rates shown reflect the rates in effect at May 31, 2009.*
- (h) The aggregate cost for federal income tax purposes is \$151,297,955. The aggregate gross unrealized appreciation is \$1,907,386 and the aggregate gross unrealized depreciation is \$33,259,743 resulting in net unrealized depreciation of \$31,352,357.*

*Bond Insurance:*

- ACA* *ACA Financial Guaranty Corporation.*
- AMBAC* *AMBAC Assurance Corporation.*
- 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, 2009*

**Assets:**

|  |                    |
|--|--------------------|
| Investments in securities, at value (cost \$151,415,434) | \$ 119,945,598     |
| Cash   | 64,563             |
| Receivable for:  |                    |
| Interest   | 2,660,602          |
| Investments sold   | 44,238             |
| Dividends from affiliate                                 | 96                 |
| Prepaid expenses and other assets                        | 22,545             |
| <b>Total Assets</b>                                      | <b>122,737,642</b> |

**Liabilities:**

|   |                  |
|---|------------------|
| Floating rate note and dealer trust obligations | 6,359,000        |
| Payable for:                                    |                  |
| Investments purchased                           | 400,000          |
| Investment advisory fee                         | 56,730           |
| Administration fee                              | 9,087            |
| Transfer agent fee                              | 1,232            |
| Accrued expenses and other payables             | 128,181          |
| <b>Total Liabilities</b>                        | <b>6,954,230</b> |

**Net Assets** \$ 115,783,412

**Composition of Net Assets:**

|   |                |
|---|----------------|
| Paid-in-capital                                 | \$ 169,657,267 |
| Net unrealized depreciation                     | (31,469,836)   |
| Accumulated undistributed net investment income | 662,697        |
| Accumulated net realized loss                   | (23,066,716)   |

**Net Assets** \$ 115,783,412

**Net Asset Value Per Share,**

*19,620,474 shares outstanding (unlimited shares authorized of \$.01 par value)* \$5.90

*See Notes to Financial Statements*

**Morgan Stanley Municipal Income Opportunities Trust**  
**Financial Statements** *continued*

**Statement of Operations**

*For the year ended May 31, 2009*

**Net Investment Income:**

**Income**

|                          |              |
|--------------------------|--------------|
| Interest                 | \$ 9,907,372 |
| Dividends from affiliate | 8,668        |

**Total Income** 9,916,040

**Expenses**

|                                      |         |
|--------------------------------------|---------|
| Investment advisory fee              | 609,305 |
| Interest and residual trust expenses | 195,848 |
| Administration fee                   | 97,489  |
| Professional fees                    | 71,633  |
| Shareholder reports and notices      | 40,307  |
| Registration fees                    | 21,094  |
| Transfer agent fees and expenses     | 12,044  |
| Trustees' fees and expenses          | 9,001   |
| Custodian fees                       | 5,723   |
| Other                                | 24,187  |

**Total Expenses** 1,086,631  
Less: expense offset (21)  
Less: rebate from Morgan Stanley affiliated cash sweep (Note 3) (855)

**Net Expenses** 1,085,755

**Net Investment Income** 8,830,285

**Realized and Unrealized Loss:**

|  |              |
|--|--------------|
| Net realized loss                                  | (4,298,657)  |
| Net change in unrealized appreciation/depreciation | (24,456,017) |

**Net Loss** (28,754,674)

**Net Decrease** \$ (19,924,389)

*See Notes to Financial Statements*

**Morgan Stanley Municipal Income Opportunities Trust**  
**Financial Statements** *continued*

**Statements of Changes in Net Assets**

|   | <b>FOR THE YEAR<br/>ENDED<br/>MAY 31, 2009</b> | <b>FOR THE YEAR<br/>ENDED<br/>MAY 31, 2008</b> |
|---|--|--|
| <b>Increase (Decrease) in Net Assets:</b>   |  |  |
| <b>Operations:</b>  |  |  |
| Net investment income   | \$ 8,830,285                                   | \$ 8,960,686                                   |
| Net realized loss   | (4,298,657)                                    | (2,376,388)                                    |
| Net change in unrealized appreciation/depreciation  | (24,456,017)                                   | (14,729,742)                                   |
| <b>Net Decrease</b>   | <b>(19,924,389)</b>                            | <b>(8,145,444)</b>                             |
| Dividends to shareholders from net investment income  | (9,086,766)                                    | (9,638,541)                                    |
| Decrease from transactions in shares of beneficial interest   | (165,626)                                      | (257,624)                                      |
| <b>Net Decrease</b>   | <b>(29,176,781)</b>                            | <b>(18,041,609)</b>                            |
| <b>Net Assets:</b>  |  |  |
| Beginning of period   | 144,960,193                                    | 163,001,802                                    |
| <b>End of Period</b>  |  |  |
| <i>(Including accumulated undistributed net investment income of \$662,697 and \$926,585, respectively)</i> | <b>\$ 115,783,412</b>                          | <b>\$ 144,960,193</b>                          |

*See Notes to Financial Statements*

**Morgan Stanley Municipal Income Opportunities Trust**  
**Notes to Financial Statements - May 31, 2009**

**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, which approximates market value.

**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.

**C. 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

**Morgan Stanley Municipal Income Opportunities Trust**  
**Notes to Financial Statements - May 31, 2009** *continued*

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.

**D. Floating Rate Note and Dealer Trust 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 Trust (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 Trust 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 and records the expenses related to floating rate note and dealer trust obligations and any administrative expenses of the Dealer Trusts under the caption interest and residual trust expenses on the Statement of Operations. The floating rate 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, 2009, the Fund s investments with a value of \$12,251,415 are held by the Dealer Trusts and serve as collateral for the \$6,359,000 in floating rate note and dealer trust obligations outstanding at that date. The range of contractual maturities of the floating rate note and dealer trust obligations and interest rates in effect at May 31, 2009 are presented in the Portfolio of Investments.

**E. Interest Rate Swaps** Interest rate swaps are contractual agreements to exchange periodic interest payment streams calculated on a predetermined notional principal amount. Interest rate swaps generally involve one party paying a fixed interest rate and the other party paying a variable rate. The Fund will usually enter into interest rate swaps on a net basis, i.e., the two payment streams are netted out in a cash

**Morgan Stanley Municipal Income Opportunities Trust**  
**Notes to Financial Statements - May 31, 2009** *continued*

settlement on the payment date or dates specified in the instrument, with the Fund receiving or paying, as the case may be, only the net amount of the two payments. The Fund accrues the net amount with respect to each interest rate swap on a daily basis. This net amount is recorded within realized gains/losses on swap contracts on the Statement of Operations.

Swap agreements are not entered into or traded on exchanges and there is no central clearing or guaranty function for swaps. Therefore, swaps are subject to the risk of default or non-performance by the counterparty. If there is a default by the counterparty to a swap agreement, the Fund will have contractual remedies pursuant to the agreements related to the transaction. Counterparties are required to pledge collateral daily (based on the valuation of each swap) on behalf of the Fund with a value approximately equal to the amount of any unrealized gain. Reciprocally, when the Fund has an unrealized loss on a swap contract, the Fund has instructed the custodian to pledge cash or liquid securities on collateral with a value approximately equal to the amount of the unrealized loss. Collateral pledges are monitored and subsequently adjusted if and when the swap valuations fluctuate. For cash collateral received, the Fund pays a monthly fee to the counterparty based on the effective rate for Federal Funds.

**F. 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 federal income tax provision is required. The Fund files tax returns with the U.S. Internal Revenue Service, New York State and New York City. The Fund follows the provisions of the Financial Accounting Standards Board ( FASB ) Interpretation No. 48 ( FIN 48 ) *Accounting for Uncertainty in Income Taxes*. 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. There are no unrecognized tax benefits in the accompanying financial statements. If applicable, the Fund recognizes interest accrued related to unrecognized tax benefits in 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, 2009, remains subject to examination by taxing authorities.

The Fund purchases municipal securities whose interest, in the opinion of the issuer, is free from federal income tax. There is no assurance that the Internal Revenue Service ( IRS ) will agree with this opinion. In the event the IRS determines that the issuer does not comply with relevant tax requirements, interest payments from a security could become federally taxable.

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

20

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**Morgan Stanley Municipal Income Opportunities Trust**  
**Notes to Financial Statements - May 31, 2009** *continued*

**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 weekly net assets.

Pursuant to an Administration Agreement with Morgan Stanley Services Company Inc. (the Administrator), an affiliate of the Investment Advisor, 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.

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 invested in Morgan Stanley Institutional Liquidity Funds Tax-Exempt Portfolio Institutional Class, an open-end management investment company managed by an affiliate of the Investment Adviser. Investment advisory fees paid by the Fund were reduced by an amount equal to the advisory and administrative service fees paid by Morgan Stanley Institutional Liquidity Funds Tax-Exempt Portfolio Institutional Class with respect to assets invested by the Fund in Morgan Stanley Institutional Liquidity Funds Tax-Exempt Portfolio Institutional Class. For the year ended May 31, 2009 advisory fees paid were reduced by \$855 relating to the Fund's investment in Morgan Stanley Institutional Liquidity Funds Tax-Exempt Portfolio Institutional Class. Income distributions earned by the Fund were recorded as dividends from affiliate in the Statement of Operations and totaled \$8,668 for the year ended May 31, 2009. During the year ended May 31, 2009, cost of purchases and sales of investments in Morgan Stanley Institutional Liquidity Funds Tax-Exempt Portfolio Institutional Class aggregated \$26,076,981 and \$26,076,981, respectively.

The cost of purchases and proceeds from sales of portfolio securities, excluding short-term investments, for the year ended May 31, 2009 aggregated \$19,338,072 and \$28,846,438, respectively. Included in the aforementioned transactions are purchases and sales of \$1,287,564 and \$1,329,490 respectively with other Morgan Stanley funds, including net realized losses of \$165,864.

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

**Morgan Stanley Municipal Income Opportunities Trust**  
**Notes to Financial Statements - May 31, 2009** *continued*

increases to compensation after July 31, 2003. Aggregate pension costs for the year ended May 31, 2009, included in trustees' fees and expenses in the Statement of Operations amounted to \$5,871. At May 31, 2009, the Fund had an accrued pension liability of \$59,926 which is included in accrued expenses and other payables 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 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. Dividends**

The Fund declared the following dividends from net investment income:

| <b>DECLARATION<br/>DATE</b> | <b>AMOUNT<br/>PER SHARE</b> | <b>RECORD<br/>DATE</b> | <b>PAYABLE<br/>DATE</b> |
|-----------------------------|-----------------------------|------------------------|-------------------------|
| April 7, 2009               | \$0.035                     | June 19, 2009          | June 26, 2009           |
| July 14, 2009               | \$0.035                     | July 24, 2009          | July 31, 2009           |
| July 14, 2009               | \$0.035                     | August 21, 2009        | August 28, 2009         |
| July 14, 2009               | \$0.035                     | September 18, 2009     | September 25, 2009      |

**5. Shares of Beneficial Interest**

Transactions in shares of beneficial interest were as follows:

|  | <b>SHARES</b> | <b>PAR VALUE<br/>OF SHARES</b> | <b>CAPITAL<br/>PAID IN<br/>EXCESS OF<br/>PAR VALUE</b> |
|--|---------------|--------------------------------|--|
| Balance, May 31, 2007                                  | 19,685,043    | \$ 196,850                     | \$ 173,817,507   |
| Shares repurchased (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  |
| Shares repurchased (weighted average discount 13.98%)+ | (29,201)      | (292)                          | (165,334)  |
| Reclassification due to permanent book/tax differences |               |                                | (3,930,059)  |
| Balance, May 31, 2009                                  | 19,620,474    | \$ 196,204                     | \$ 169,461,063   |

The Trustees have approved a share repurchase program 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.



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

22

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**Morgan Stanley Municipal Income Opportunities Trust**  
**Notes to Financial Statements - May 31, 2009** *continued*

**6. 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.

**7. Purposes of and Risks Relating to Certain Financial Instruments**

The Fund may invest a portion of its assets in inverse floating rate municipal securities, which are variable debt instruments that pay interest at rates that move in the opposite direction of prevailing interest rates. These investments are typically used by the Fund in seeking to enhance the yield of the portfolio. Inverse floating rate investments tend to underperform the market for fixed rate bonds in a rising interest rate environment, but tend to outperform the market for fixed rate bonds when interest rates decline or remain relatively stable. Inverse floating rate investments have varying degrees of liquidity. Inverse floating rate securities in which the Fund may invest include derivative instruments such as residual interest bonds ( RIBs ) or tender option bonds ( TOBs ). Such instruments are typically created by a special purpose trust that holds long-term fixed rate bonds (which may be tendered by the Fund in certain instances) and sells two classes of beneficial interests: short-term floating rate interests, which are sold to third party investors, and inverse floating residual interests, which are purchased by the Fund. The short-term floating rate interests have first priority on the cash flow from the bonds held by the special purpose trust and the Fund is paid the residual cash flow from the bonds held by the special purpose trust.

The Fund generally invests in inverse floating rate investments that include embedded leverage, thus exposing the Fund to greater risks and increased costs. The market value of a leveraged inverse floating rate investment generally will fluctuate in response to changes in market rates of interest to a greater extent than the value of an unleveraged investment. The extent of increases and decreases in the value of inverse floating rate investments generally will be larger than changes in an equal principal amount of a fixed rate security having similar credit quality, redemption provisions and maturity, which may cause the Fund's net asset value to be more volatile than if it had not invested in inverse floating rate investments.

In certain instances, the short-term floating rate interests created by the special purpose trust may not be able to be sold to third parties or, in the case of holders tendering (or putting) such interests for repayment of principal, may not be able to be remarketed to third parties. In such cases, the special purpose trust holding the long-term fixed rate bonds may be collapsed. In the case of RIBs or TOBs created by the contribution of long-term fixed income bonds by the Fund, the Fund will then be required to repay the principal amount of the tendered securities. During times of market volatility, illiquidity or uncertainty, the Fund could be required to sell other portfolio holdings at a disadvantageous time to raise cash to meet that obligation.

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

**Morgan Stanley Municipal Income Opportunities Trust**  
**Notes to Financial Statements - May 31, 2009** *continued*

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, 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.

**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.

The tax character of distributions paid was as follows:

|                     | <b>FOR THE YEAR<br/>ENDED<br/>MAY 31, 2009</b> | <b>FOR THE YEAR<br/>ENDED<br/>MAY 31, 2008</b> |
|---------------------|--|--|
| Tax-exempt income   | \$ 8,977,486                                   | \$ 9,638,541                                   |
| Ordinary income     | 109,280  |  |
| Total distributions | \$ 9,086,766                                   | \$ 9,638,541                                   |

As of May 31, 2009, the tax-basis components of accumulated losses were as follows:

|                                 |                 |
|---------------------------------|-----------------|
| Undistributed tax-exempt income | \$ 668,980      |
| Undistributed long-term gains   |                 |
| Net accumulated earnings        | 668,980         |
| Capital loss carryforward       | (20,177,054)    |
| Post-October losses             | (2,889,661)     |
| Temporary differences           | (123,763)       |
| Net unrealized depreciation     | (31,352,357)    |
| Total accumulated losses        | \$ (53,873,855) |

**Morgan Stanley Municipal Income Opportunities Trust**  
**Notes to Financial Statements - May 31, 2009** *continued*

As of May 31, 2009, the Fund had a net capital loss carryforward of \$20,177,054, to offset future capital gains to the extent provided by regulations, which will expire according to the following schedule.

| <b>AMOUNT</b> | <b>EXPIRATION</b> |
|---------------|-------------------|
| \$ 1,864,080  | May 31, 2011      |
| 4,876,449     | May 31, 2013      |
| 9,386,909     | May 31, 2016      |
| 4,049,616     | May 31, 2017      |

As of May 31, 2009, 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.

Permanent differences, due to a nondeductible expense, an expired capital loss carryforward 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, 2009:

| <b>ACCUMULATED<br/>UNDISTRIBUTED<br/>NET INVESTMENT<br/>INCOME</b> | <b>ACCUMULATED<br/>NET REALIZED<br/>LOSS</b> | <b>PAID-IN-CAPITAL</b> |
|--|--|------------------------|
| \$(7,407)  | \$3,937,466                                  | \$(3,930,059)          |

**9. Fair Valuation Measurements**

The Fund adopted FASB Statement of Financial Accounting Standards No. 157, *Fair Value Measurements* (SFAS 157), effective June 1, 2008. In accordance with SFAS 157, fair value is defined as the price that the Fund would receive to sell an investment or pay to transfer a liability in a timely transaction with an independent buyer in the principal market, or in the absence of a principal market the most advantageous market for the investment or liability. SFAS 157 establishes a three-tier hierarchy to distinguish between (1) inputs that reflect the assumptions market participants would use in pricing an asset or liability developed based on market data obtained from sources independent of the reporting entity (observable inputs) and (2) inputs that reflect the reporting entity's own assumptions about the assumptions market participants would use in pricing an asset or liability developed based on the best information available in the circumstances (unobservable inputs) and to establish classification of fair value measurements for disclosure purposes. Various inputs are used in determining the value of the Fund's investments. The inputs are summarized in the three broad levels listed below.

Level 1 unadjusted quoted prices in active markets for identical investments

Level 2 other significant observable inputs (including quoted prices for similar investments, interest rates, prepayment speeds, credit risk, etc.)

**Morgan Stanley Municipal Income Opportunities Trust**  
**Notes to Financial Statements - May 31, 2009** *continued*

Level 3 significant unobservable inputs (including the Fund's own assumptions in determining the fair value of investments)

The inputs or methodology used for valuing securities are not necessarily an indication of the risk associated with investing in those securities and the determination of the significance of a particular input to the fair value measurement in its entirety requires judgment and considers factors specific to each security.

The following is a summary of the inputs used as of May 31, 2009 in valuing the Fund's investments carried at value:

| <b>FAIR VALUE MEASUREMENTS AT MAY 31, 2009</b> |                |  |  |  |
|--|----------------|--|--|--|
| <b>USING</b>                                   |                |  |  |  |
|  |                | <b>QUOTED PRICES<br/>IN<br/>ACTIVE MARKET<br/>FOR<br/>IDENTICAL<br/>ASSETS<br/>(LEVEL 1)</b> | <b>SIGNIFICANT<br/>OTHER<br/>OBSERVABLE<br/>INPUTS<br/>(LEVEL 2)</b> | <b>SIGNIFICANT<br/>UNOBSERVABLE<br/>INPUTS<br/>(LEVEL 3)</b> |
| <b>TOTAL</b>                                   |                |  |  |  |
| Investments in Securities                      | \$ 119,945,598 |  | \$119,945,598  |  |

**10. Accounting Pronouncements**

On April 9, 2009, FASB issued Staff Position No. 157-4, *Determining Fair Value When the Volume and Level of Activity for the Asset or Liability Have Significantly Decreased and Identifying Transactions That Are Not Orderly* ( FSP 157-4 ). FSP 157-4 provides additional guidance for estimating fair value in accordance with SFAS 157, when the volume and level of activity for the asset or liability have significantly decreased. FSP 157-4 also requires additional disaggregation of the current SFAS 157 required disclosures. FSP 157-4 is effective for interim and annual reporting periods ending after June 15, 2009, and shall be applied prospectively. At this time, management is evaluating the implications of FSP 157-4 and the impact it will have on the Fund's financial statements.

In May 2009, FASB issued Statement of Financial Accounting Standards No. 165 ( SFAS 165 ), *Subsequent Events*, which is intended to establish general standards of accounting for and disclosure of events that occur after the balance sheet date but before financial statements are issued or are available to be issued. SFAS 165 is effective for interim or annual financial periods ending after June 15, 2009. Management is currently evaluating the impact that the adoption of SFAS 165 will have, if any, on the Fund's financial statements.

**Morgan Stanley Municipal Income Opportunities Trust**  
**Financial Highlights**

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

|  | <b>FOR THE YEAR ENDED MAY 31,</b> |                          |                      |                |                |
|--|-----------------------------------|--------------------------|----------------------|----------------|----------------|
|  | <b>2009</b>                       | <b>2008</b>              | <b>2007</b>          | <b>2006</b>    | <b>2005</b>    |
| <b>Selected Per Share Data:</b>                                  |                                   |                          |                      |                |                |
| Net asset value, beginning of the period                         | \$7.38                            | \$8.28                   | \$8.02               | \$8.00         | \$7.67         |
| Income (loss) from investment operations:                        |                                   |                          |                      |                |                |
| Net investment income <sup>(1)</sup>                             | 0.45                              | 0.46                     | 0.48                 | 0.54           | 0.53           |
| Net realized and unrealized gain (loss)                          | (1.46)                            | (0.87)                   | 0.32                 | 0.01           | 0.29           |
| Total income (loss) from investment operations                   | (1.01)                            | (0.41)                   | 0.80                 | 0.55           | 0.82           |
| Less dividends from net investment income                        | (0.47)                            | (0.49)                   | (0.54)               | (0.53)         | (0.50)         |
| Anti-dilutive effect of acquiring treasury shares <sup>(1)</sup> | 0.00 <sup>(6)</sup>               | 0.00 <sup>(6)</sup>      |                      |                | 0.01           |
| Net asset value, end of period                                   | \$5.90                            | \$7.38                   | \$8.28               | \$8.02         | \$8.00         |
| Market value, end of period                                      | \$5.67                            | \$7.87                   | \$9.68               | \$8.76         | \$7.97         |
| <b>Total Return<sup>(2)</sup></b>                                | <b>(22.15)%</b>                   | <b>(13.65)%</b>          | <b>16.99 %</b>       | <b>17.04 %</b> | <b>20.12 %</b> |
| <b>Ratios to Average Net Assets:</b>                             |                                   |                          |                      |                |                |
| Total expenses (before expense offset)                           | 0.89 % <sup>(3)</sup>             | 0.95 % <sup>(3)(5)</sup> | 0.80% <sup>(5)</sup> | 0.71 %         | 0.83 %         |
| Total expenses (before expense offset, exclusive of              | 0.73 % <sup>(3)</sup>             | 0.72 % <sup>(3)(5)</sup> | 0.72% <sup>(5)</sup> | 0.71 %         | 0.83 %         |

|  |                       |                       |        |        |        |
|--|-----------------------|-----------------------|--------|--------|--------|
| interest and residual<br>trust expenses) |                       |                       |        |        |        |
| Net investment<br>income                 | 7.25 %                | 5.89 %                | 5.88 % | 6.78 % | 6.76 % |
| Rebate from Morgan<br>Stanley affiliate  | 0.00 % <sup>(4)</sup> | 0.00 % <sup>(4)</sup> |        |        |        |

**Supplemental Data:**

|  |           |           |           |           |           |
|--|-----------|-----------|-----------|-----------|-----------|
| Net assets, end of<br>period, in thousands | \$115,783 | \$144,960 | \$163,002 | \$157,928 | \$157,594 |
| Portfolio turnover rate                    | 15 %      | 35 %      | 26 %      | 19 %      | 12 %      |

- (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 and distributions are assumed to be reinvested at the prices obtained under the Fund's dividend reinvestment plan. Total return does not reflect brokerage commissions.*
- (3) *The ratios reflect the rebate of certain Fund expenses in connection with the investments in Morgan Stanley affiliate during the period.*  
*The effect of the rebate on the ratios is disclosed in the above table as Rebate from Morgan Stanley affiliate .*
- (4) *Amount is less than 0.005%.*
- (5) *Does not reflect the effect of expense offset of 0.01%.*
- (6) *Includes anti-dilutive effect of acquiring treasury shares of less than \$0.005.*

*See Notes to Financial Statements*

**Morgan Stanley Municipal Income Opportunities Trust  
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, 2009, and the related statement of operations for the year then ended, the statements of 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, 2009, 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, 2009, 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 28, 2009*

28

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**Morgan Stanley Municipal Income Opportunities Trust  
Shareholder Voting Results (unaudited)**

On December 12, 2008, an annual meeting of the Fund's shareholders was held for the purpose of voting on the following matter, the results of which as follows:

**Election on Trustees:**

|                  | <b>For</b> | <b>Withheld</b> | <b>Abstain</b> |
|------------------|------------|-----------------|----------------|
| Frank L. Bowman  | 17,697,632 | 724,716         | 0              |
| Michael Bozic    | 17,658,964 | 763,384         | 0              |
| James F. Higgins | 17,698,293 | 724,055         | 0              |
|                  |            |                 | 29             |

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**Morgan Stanley Municipal Income Opportunities Trust**  
**Portfolio Management (unaudited)**

The Fund is managed by members of the 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 D. Godlin, Managing Director of the Investment Adviser and Robert J. Stryker, a Vice President 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. Stryker has been associated with the Investment Adviser in an investment management capacity since February 1994 and began managing the Fund in September 2007.

30

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## **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.

### **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/im](http://morganstanley.com/im).

#### **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 the 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/im](http://morganstanley.com/im), 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 account number and ensure that all shareholders listed on the account sign the 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

**Morgan Stanley Municipal Income Opportunities Trust**  
**Dividend Reinvestment Plan (unaudited) *continued***

your authorization, as long as they receive it before the record date, which is generally one week 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 capital gains 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 capital gains 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/im](http://morganstanley.com/im) 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

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, whole shares will be held by Computershare Trust Company, N.A. and fractional shares will be sold.

**Morgan Stanley Municipal Income Opportunities Trust**  
**Dividend Reinvestment Plan (unaudited) *continued***

2. If you opt to sell your shares through Computershare Trust Company, N.A., 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. at any time 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/im](http://morganstanley.com/im).**

**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, through the use of cookies. Cookies recognize your computer each time you return to one of our sites, and help to

**Morgan Stanley Municipal Income Opportunities Trust**  
**Morgan Stanley Advisor Closed-End Funds**  
**An Important Notice Concerning Our U.S. Privacy Policy (unaudited) *continued***

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 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 non-affiliated 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.

**Morgan Stanley Municipal Income Opportunities Trust  
Trustee and Officer Information (unaudited)**

**Independent Trustees:**

| <b>Name, Age and Address of Independent Trustee</b>   | <b>Position(s) Held with Registrant</b> | <b>Term of Office and Length of Time Served*</b> | <b>Principal Occupation(s) During Past 5 Years</b>   | <b>Number of Portfolios in Fund Complex Overseen by Independent Trustee**</b> | <b>Other Directorships Held by Independent Trustee</b>  |
|---|---|--|--|---|---|
| Frank L. Bowman (64)<br>c/o Kramer Levin Naftalis & Frankel LLP<br>Counsel to the Independent Trustees<br>1177 Avenue of the Americas<br>New York, NY 10036 | Trustee                                 | Since August 2006                                | President, Strategic Decisions, LLC (consulting) (since February 2009); Director or Trustee of various Retail Funds and Institutional Funds (since August 2006); Chairperson of the Insurance Sub-Committee of the Compliance and Insurance Committee (since February 2007); served as President and Chief Executive Officer of the Nuclear Energy Institute (policy organization) through November 2008; retired as Admiral, U.S. Navy in January 2005 after serving over 8 years as Director of the Naval Nuclear Propulsion Program and Deputy Administrator Naval Reactors in the National Nuclear Security Administration at the U.S. Department of Energy (1996-2004), Knighted as | 168   | Director of the Armed Services YMCA of the USA; member, BP America External Advisory Council (energy); member, National Academy of Engineers. |



Honorary Knight  
 Commander of the Most  
 Excellent Order of the  
 British Empire; Awarded  
 the Officer de l'Orde  
 National du Mérite by the  
 French Government.

|   |                |  |  |            |   |
|---|----------------|--|--|------------|---|
| <p>Michael Bozic (68)<br/>                 c/o Kramer Levin Naftalis &amp;<br/>                 Frankel LLP Counsel to the<br/>                 Independent Trustees<br/>                 1177 Avenue of the Americas<br/>                 New York, NY 10036</p> | <p>Trustee</p> | <p>Since<br/>                 April 1994</p> | <p>Private investor;<br/>                 Chairperson of the<br/>                 Compliance and<br/>                 Insurance Committee<br/>                 (since October 2006);<br/>                 Director or Trustee of the<br/>                 Retail Funds (since April<br/>                 1994) and Institutional<br/>                 Funds (since July 2003);<br/>                 formerly, Chairperson of<br/>                 the Insurance Committee<br/>                 (July 2006-September<br/>                 2006); Vice Chairman of<br/>                 Kmart Corporation<br/>                 (December 1998-October<br/>                 2000), Chairman and<br/>                 Chief Executive Officer<br/>                 of Levitz Furniture<br/>                 Corporation (November<br/>                 1995-November 1998)<br/>                 and President and Chief<br/>                 Executive Officer of Hills<br/>                 Department Stores (May<br/>                 1991-July 1995);<br/>                 variously Chairman,<br/>                 Chief Executive Officer,<br/>                 President and Chief<br/>                 Operating Officer<br/>                 (1987-1991) of the Sears<br/>                 Merchandise Group of<br/>                 Sears, Roebuck &amp; Co.</p> | <p>170</p> | <p>Director of various business<br/>                 organizations.</p> |
|---|----------------|--|--|------------|---|

**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** | Other Directorships Held by Independent Trustee                          |
|---|----------------------------------|---|--|--|--|
| Kathleen A. Dennis (55)<br>c/o Kramer Levin Naftalis & Frankel LLP Counsel to the Independent Trustees<br>1177 Avenue of the Americas<br>New York, NY 10036 | Trustee                          | Since August 2006                         | President, Cedarwood Associates (mutual fund and investment management consulting) (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). | 168  | Director of various non-profit organizations.                            |
| Dr. Manuel H. Johnson (60)<br>c/o Johnson Smick Group, Inc.<br>888 16th Street, N.W.<br>Suite 740<br>Washington, D.C. 20006                                 | Trustee                          | Since July 1991                           | 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 Institutional Funds (since July 2003); Co-Chairman and a founder of the Group of Seven Council (G7C) (international economic   | 170  | Director of NVR, Inc. (home construction); Director of Evergreen Energy. |

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.

Joseph J. Kearns (66)  
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 Institutional Funds  
(since August 1994);  
formerly, Deputy  
Chairperson of the Audit  
Committee (July  
2003-September 2006)  
and Chairperson of the  
Audit Committee of  
Institutional Funds  
(October 2001-July  
2003); CFO of the J. Paul  
Getty Trust.

171 Director of Electro Rent  
Corporation (equipment leasing)  
and The Ford Family  
Foundation.

**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** | Other Directorships Held by Independent Trustee   |
|--|--------------------------------------|---|--|--|---|
| Michael F. Klein (50)<br>c/o Kramer Levin Naftalis & Frankel LLP<br>Counsel to the Independent Trustees<br>1177 Avenue of the Americas<br>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). | 168  | Director of certain investment funds managed or sponsored by Aetos Capital, LLC. Director of Sanitized AG and Sanitized Marketing AG (specialty chemicals). |
| Michael E. Nugent (73)<br>c/o Triumph Capital, L.P.<br>445 Park Avenue<br>New York, NY 10022   | Chairperson of the Board and Trustee | Chairperson of the Boards since July 2006 | General Partner, Triumph Capital, L.P. (private investment partnership); Chairperson of the Boards   | 170  | None.   |

and Trustee of the Retail Funds and  
 since Institutional Funds (since  
 July 1991 July 2006); Director or  
 Trustee of the Retail  
 Funds (since July 1991)  
 and Institutional Funds  
 (since July 2001);  
 formerly, Chairperson of  
 the Insurance Committee  
 (until July 2006).

W. Allen Reed (61) Trustee  
 c/o Kramer Levin Naftalis &  
 Frankel LLP  
 Counsel to the Independent  
 Trustees  
 1177 Avenue of the Americas  
 New York, NY 10036

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); formerly,  
 President and CEO of  
 General Motors Asset  
 Management; Chairman  
 and Chief Executive  
 Officer of the GM Trust  
 Bank and Corporate Vice  
 President of General  
 Motors Corporation  
 (August 1994-December  
 2005).

168 Director of Temple-Inland  
 Industries (packaging and forest  
 products); Director of Legg  
 Mason, Inc. and Director of the  
 Auburn University Foundation.

**Morgan Stanley Municipal Income Opportunities Trust**  
**Trustee and Officer Information (unaudited) *continued***

| <b>Name, Age and Address of Independent Trustee</b>   | <b>Position(s) Held with Registrant</b> | <b>Term of Office and Length of Time Served*</b> | <b>Principal Occupation(s) During Past 5 Years</b>  | <b>Number of Portfolios in Fund Complex Overseen by Independent Trustee**</b> | <b>Other Directorships Held by Independent Trustee</b>   |
|---|---|--|---|---|--|
| Fergus Reid (76)<br>c/o Lumelite Plastics Corporation<br>85 Charles Colman Blvd.<br>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 Institutional Funds (since June 1992). | 171   | Trustee and Director of certain investment companies in the JPMorgan Funds complex managed by JP Morgan Investment Management Inc. |

**Interested Trustee:**

| <b>Name, Age and Address of Interested Trustee</b>   | <b>Position(s) Held with Registrant</b> | <b>Term of Office and Length of Time Served*</b> | <b>Principal Occupation(s) During Past 5 Years</b>   | <b>Number of Portfolios in Fund Complex Overseen by Interested Trustee**</b> | <b>Other Directorships Held by Interested Trustee</b>   |
|--|---|--|--|--|---|
| James F. Higgins (61)<br>c/o Morgan Stanley Trust<br>Harborside Financial Center<br>Plaza Two<br>Jersey City, NJ 07311 | Trustee                                 | Since June 2000                                  | Director or Trustee of the Retail Funds (since June 2000) and Institutional Funds (since July 2003); Senior Advisor of Morgan Stanley (since August 2000). | 169  | 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 ) 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.).*

*For the period September 26, 2008 through February 5, 2009, W. Allen Reed was an interested Trustee. At all other times covered by this report, Mr. Reed was an Independent Trustee.*

**Morgan Stanley Municipal Income Opportunities Trust**  
**Trustee and Officer Information (unaudited) *continued***

**Executive Officers:**

| Name, Age and Address of Executive Officer                    | Position(s) Held with Registrant          | Term of Office and Length of Time Served*                        | Principal Occupation(s) During Past 5 Years   |
|---|---|--|---|
| Randy Takian (34)<br>522 Fifth Avenue<br>New York, NY 10036   | President and Principal Executive Officer | President and Principal Executive Officer (since September 2008) | President and Principal Executive Officer (since September 2008) of funds in the Fund Complex; President and Chief Executive Officer of Morgan Stanley Services Company Inc. (since September 2008). President of the Investment Adviser (since July 2008). Head of the Retail and Intermediary business within Morgan Stanley Investment Management (since July 2008). Head of Liquidity and Bank Trust business (since July 2008) and the Latin American franchise (since July 2008) at Morgan Stanley Investment Management. Managing Director, Director and/or Officer of the Investment Adviser and various entities affiliated with the Investment Adviser. Formerly Head of Strategy and Product Development for the Alternatives Group and Senior Loan Investment Management. Formerly with Bank of America (July 1996-March 2006), most recently as Head of the Strategy, Mergers and Acquisitions team for Global Wealth and Investment Management. |
| Kevin Klingert (46)<br>522 Fifth Avenue<br>New York, NY 10036 | Vice President                            | Since June 2008  | Global Head, Chief Operating Officer and acting Chief Investment Officer of the Global Fixed Income Group of Morgan Stanley Investment Management Inc. and the Investment Adviser (since March 2008). Head of Global Liquidity Portfolio Management and co-Head of Liquidity Credit Research of Morgan Stanley Investment Management (since December 2007). Managing Director of Morgan Stanley Investment Management Inc. and the Investment Adviser (since December 2007). Previously, Managing Director on the Management Committee and head of Municipal Portfolio Management and Liquidity at BlackRock (October 1991 to January 2007).  |
| Carsten Otto (45)<br>522 Fifth Avenue                         | Chief Compliance                          | Since October  | Managing Director and Global Head of Compliance for Morgan Stanley Investment Management (since   |



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|   |                |                           |  |
|---|----------------|---------------------------|--|
| New York, NY 10036  | Officer        | 2004                      | April 2007) and Chief Compliance Officer of the Retail Funds and Institutional Funds (since October 2004). Formerly, U.S. Director of Compliance (October 2004-April 2007) and Assistant Secretary and Assistant General Counsel of the Retail Funds.                              |
| Stefanie V. Chang Yu (42)<br>522 Fifth Avenue<br>New York, NY 10036 | Vice President | Since<br>December<br>1997 | Managing Director of the Investment Adviser and various entities affiliated with the Investment Adviser; Vice President of the Retail Funds (since July 2002) and Institutional Funds (since December 1997); Secretary of various entities affiliated with the Investment Adviser. |

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**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 Past 5 Years  |
|--|---------------------------------------|--|--|
| Francis J. Smith (43)<br>c/o Morgan Stanley Trust<br>Harborside Financial Center<br>Plaza Two<br>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 Adviser and various entities affiliated with the Investment Adviser; Treasurer and Chief Financial Officer of the Retail Funds (since July 2003).               |
| Mary E. Mullin (42)<br>522 Fifth Avenue<br>New York, NY 10036  | Secretary                             | Since June 1999  | Executive Director of the Investment Adviser and various entities affiliated with the Investment Adviser; Secretary of the Retail Funds (since July 2003) and Institutional Funds (since June 1999). |

\* *This is the earliest date the Officer began serving the Retail Funds or 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 7, 2009.

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>.

**2009 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, 2009. The Fund designated 98.80% of its income dividends as tax-exempt income dividends.

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

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**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*

Randy Takian  
*President and Principal Executive Officer*

Kevin Klingert  
*Vice President*

Carsten Otto  
*Chief Compliance Officer*

Stefanie V. Chang Yu  
*Vice President*

Francis J. Smith  
*Treasurer and Chief Financial Officer*

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

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INVESTMENT MANAGEMENT  
Morgan Stanley  
Municipal Income  
Opportunities Trust  
NYSE: OIA

OIAANN  
IU09-03109P-Y05/09

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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, 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:

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**2009**

|                             | <b>Registrant</b>       | <b>Covered<br/>Entities<sup>(1)</sup></b> |
|-----------------------------|-------------------------|---|
| <b>Audit Fees</b>           | \$39,125                | N/A                                       |
| <b>Non-Audit Fees</b>       |                         |   |
| <b>Audit-Related Fees</b>   | \$ (2)                  | \$ 6,418,000 <sup>(2)</sup>               |
| <b>Tax Fees</b>             | \$ 5,165 <sup>(3)</sup> | \$ 881,000 <sup>(4)</sup>                 |
| <b>All Other Fees</b>       | \$                      | \$  |
| <b>Total Non-Audit Fees</b> | \$ 5,165                | \$ 7,299,000                              |
| <b>Total<br/>2008</b>       | \$44,290                | \$ 7,299,000                              |

|                             | <b>Registrant</b>       | <b>Covered<br/>Entities<sup>(1)</sup></b> |
|-----------------------------|-------------------------|---|
| <b>Audit Fees</b>           | \$32,375                | N/A                                       |
| <b>Non-Audit Fees</b>       |                         |   |
| <b>Audit-Related Fees</b>   | \$ (2)                  | \$ 4,336,000 <sup>(2)</sup>               |
| <b>Tax Fees</b>             | \$ 4,738 <sup>(3)</sup> | \$ 762,000 <sup>(4)</sup>                 |
| <b>All Other Fees</b>       | \$                      | \$ (5)                                    |
| <b>Total Non-Audit Fees</b> | \$ 4,738                | \$ 5,098,000                              |
| <b>Total</b>                | \$37,113                | \$ 5,098,000                              |

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.

(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,<sup>1</sup>**

**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.

<sup>1</sup> 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.



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

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.

(a) See Item 1.

(b) Not applicable.



Item 7. Disclosure of Proxy Voting Policies and Procedures for Closed-End Management Investment Companies. 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 filed by closed-end funds.

**Morgan Stanley Municipal Income Opportunities Trust**

**FUND MANAGEMENT**

**PORTFOLIO MANAGEMENT.** As of the date of this report, the Fund is managed by members of the 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 D. Godlin, Managing Director of the Investment Adviser and Robert J. Stryker, a Vice President 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. Stryker has been associated with the Investment Adviser in an investment management capacity since February 1994 and began managing the Fund in September 2007.

**OTHER ACCOUNTS MANAGED BY THE PORTFOLIO MANAGERS**

The following information is as of May 31, 2009:

Mr. Godlin managed 10 mutual funds with a total of approximately \$7.1 billion in assets; no pooled investment vehicles other than mutual funds, and no other accounts.

Mr. Stryker managed 11 mutual funds with a total of approximately \$3.7 billion in assets; no pooled investment vehicles other than mutual funds, and one other account with a total of approximately \$299.3 million in assets.

Because the portfolio managers 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 their IMAP deferral account 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. For 2008 awards, a clawback provision was implemented that could be triggered if the individual engages in conduct detrimental to the Investment Adviser or its affiliates.

Voluntary Deferred Compensation Plans voluntary programs that permit certain employees to elect to defer a portion of their discretionary year-end compensation and notionally invest the deferred amount across a range of designated investment funds, including funds advised by the Investment Adviser or its affiliates.

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, 2009, the portfolio managers did not own any shares of the Fund.

Item 9. Closed-End Fund Repurchases

**REGISTRANT PURCHASE OF EQUITY SECURITIES**

| Period            |                    | (a) Total<br>Number of<br>Shares (or<br>Units)<br>Purchased | (b) Average<br>Price Paid per<br>Share (or Unit) | (c) Total<br>Number of<br>Shares (or<br>Units)<br>Purchased as<br>Part of Publicly<br>Announced<br>Plans or<br>Programs | (d) Maximum<br>Number (or<br>Approximate<br>Dollar Value)<br>of Shares (or<br>Units) that May<br>Yet Be<br>Purchased<br>Under the Plans<br>or Programs |
|-------------------|--------------------|---|--|---|--|
| September 1, 2008 | September 30, 2008 | 5,000   | 6.3437   | N/A   | N/A  |
| October 1, 2008   | October 31, 2008   | 24,201  | 5.5808   | 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  |
| mo-da-year        | mo-da-year         |   |  | N/A   | N/A  |
| mo-da-year        | mo-da-year         |   |  | N/A   | N/A  |
| Total             |                    | 29,201  | 5.9623   | 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 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/ Randy Takian

Randy Takian

Principal Executive Officer

July 21, 2009

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/ Randy Takian

Randy Takian

Principal Executive Officer

July 21, 2009

/s/ Francis Smith

Francis Smith

Principal Financial Officer

July 21, 2009