

MORGAN STANLEY MUNICIPAL INCOME OPPORTUNITIES TRUST
Form N-CSR
July 31, 2003

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

FORM N-CSR

CERTIFIED SHAREHOLDER REPORT OF REGISTERED
MANAGEMENT INVESTMENT COMPANIES

Investment Company Act file number: 811-05597

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

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

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

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

Date of fiscal year end: May 31, 2003

Date of reporting period: May 31, 2003

Item 1. Report to Stockholders.

Morgan Stanley Municipal Income Opportunities Trust
LETTER TO THE SHAREHOLDERS - MAY 31, 2003

Dear Shareholder:

During the 12-month period ended May 31, 2003, U.S. economic growth was positive but below potential. The pattern of the recovery remained uneven with a number of indicators fluctuating between strength and weakness. The relatively brief military conflict in Iraq and the ongoing war against terrorism cast a shadow over the economy and the financial markets. The sluggish economy and uncertain geopolitical outlook favored bonds and led to record low interest rates.

Throughout the period, consumer spending was the best-performing economic sector. Mortgage refinancing and low auto loan rates helped keep Americans buying. However, early this year concern about Iraq dominated investor sentiment and consumer confidence waned. Confidence was also shaken when unemployment reached an eight-year high. To guard against further downside risks, in early November the Federal Reserve Board lowered the federal funds rate from 1.75 to 1.25 percent. This marked the first change by the central bank in almost a year. Resolution of the Iraqi conflict prompted the financial markets to focus on the economy. In an effort to stimulate growth, President Bush signed the \$350 billion Jobs and Growth Tax Relief Reconciliation Act of 2003 in May. Tax reductions originally scheduled to be phased in through 2006 were accelerated. In June, the Federal Reserve again lowered the fed funds rate by 25 basis points to 1.00 percent.

Municipal Market Conditions

The yield on the 30-year insured municipal bond index continued to trend lower over the 12-month period ended May 31, 2003. The yield declined from a high of 5.29 percent in May 2002 to a low of 4.44 percent in May 2003. Throughout the period, the municipal yield spread between BBB rated general obligation bonds and AAA rated bonds provided an average of 80 basis points of additional yield.

The ratio of municipal yields as a percentage of U.S. Treasury yields gauges the relative value of municipals. In August 2002, the ratio of 30-year insured municipal bond yields to 30-year Treasuries moved above 100 percent and remained there for much of this year. This high ratio signaled that municipals were relatively cheap in comparison to Treasuries.

Long-term municipal volume increased to a record \$357 billion in 2002 as state and local governments took advantage of lower interest rates to meet cash flow needs and refinance outstanding debt. In the first five months of 2003, new-issue volume was ahead 14 percent to \$146 billion. Many analysts expect this pace to continue throughout the year as budgetary pressures force states and municipalities to actively borrow. California's share of national volume

Morgan Stanley Municipal Income Opportunities Trust
LETTER TO THE SHAREHOLDERS - MAY 31, 2003 continued

was 18 percent of the total. New York, Texas, Florida and Pennsylvania, the next largest states, aggregated an additional 29 percent.

Performance

The net asset value (NAV) of Morgan Stanley Municipal Income Opportunities Trust (OIA) increased from \$7.88 to \$7.91 per share for the 12 months ended May 31, 2003. Based on this change plus the reinvestment of tax-free dividends totaling \$0.55 per share, the Fund's total NAV return was 7.75 percent. OIA's price on the New York Stock Exchange (NYSE) decreased from \$8.08 to \$7.76 per share during the same period. Based on this change plus the reinvestment of distributions, OIA's total market return was 3.09 percent. On May 31, 2003, OIA's market price was at a 1.90 percent discount to its NAV. Past performance is no guarantee of future results.

Monthly dividends for the third quarter of 2003, declared in June, were unchanged at \$0.045 per share. The dividend reflects the level of the Fund's undistributed net investment income and projected earnings. The Fund's level of undistributed net investment income was \$0.075 per share on May 31, 2003, versus \$0.085 per share last year.

Portfolio Structure

The Fund's net assets of \$164 million were diversified among 11 long-term sectors and 73 credits. Issues in three sectors, IDR/PCR, mortgage and hospitals, accounted for 48 percent of the net assets. The six states with the largest holdings -- New Hampshire, Florida, New York, Virginia, Massachusetts and Missouri -- represented 41 percent of net assets. The portfolio holds three non-income producing issues, which represent less than three percent of net assets. OIA's duration, a measure of sensitivity to interest rate changes, was 7.1 years. At the end of May, the portfolio's long-term holdings had an average maturity of 18 years.

The accompanying charts provide current information on long-term credit ratings, maturity distribution and sector concentrations. Optional redemption provisions by year of call and respective cost (book) yields are also charted.

The Fund's procedure for reinvestment of all dividends and distributions on

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

2

Morgan Stanley Municipal Income Opportunities Trust
LETTER TO THE SHAREHOLDERS - MAY 31, 2003 continued

the time of purchase. During the 12-month period ended May 31, 2003 the Fund purchased and retired 175,800 shares of common stock at a weighted average market discount of 5.83 percent.

We appreciate your ongoing support of Morgan Stanley Municipal Income Opportunities Trust and look forward to continuing to serve your investment needs.

Very truly yours,

/s/ CHARLES A. FIUMEFREDDO
Charles A. Fiumefreddo
Chairman of the Board

/s/ MITCHELL M. MERIN
Mitchell M. Merin
President

3

Morgan Stanley Municipal Income Opportunities Trust
LETTER TO THE SHAREHOLDERS - MAY 31, 2003 continued

[LARGEST SECTORS BAR GRAPH]

LARGEST SECTORS AS OF MAY 31, 2003
(% of Net Assets)

IDR/PCR*	17%
MORTGAGE	16%
HOSPITAL	15%
NURSING & HEALTH RELATED	12%
RETIREMENT & LIFE CARE	12%
TAX ALLOCATION	8%
RECREATIONAL FACILITIES	8%

* INDUSTRIAL DEVELOPMENT/POLLUTION CONTROL REVENUE

PORTFOLIO STRUCTURE IS SUBJECT TO CHANGE.

[CREDIT RATINGS PIE CHART]

CREDIT RATINGS AS OF MAY 31, 2003
(% OF LONG-TERM PORTFOLIO)

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

Aaa/AAA	4%
Aa/AA	9%
A/A	5%
Baa/BBB	21%
Ba/BB	7%
NR	54%

AS MEASURED BY MOODY'S INVESTORS SERVICE, INC. OR STANDARD & POOR'S CORP.

PORTFOLIO STRUCTURE IS SUBJECT TO CHANGE.

[DISTRIBUTION BY MATURITY BAR GRAPH]

DISTRIBUTION BY MATURITY
(% OF LONG-TERM PORTFOLIO)

WEIGHTED AVERAGE
MATURITY: 18 YEARS

1-5 Years	7%
5-10 Years	17%
10-20 Years	36%
20-30 Years	37%
30+ Years	3%

PORTFOLIO STRUCTURE IS SUBJECT TO CHANGE.

4

Morgan Stanley Municipal Income Opportunities Trust
LETTER TO THE SHAREHOLDERS - MAY 31, 2003 continued

CALL AND COST (BOOK) YIELD STRUCTURE
(BASED ON LONG-TERM PORTFOLIO)
MAY 31, 2003

WEIGHTED AVERAGE
CALL PROTECTION: 6 YEARS

PERCENT CALLABLE

2003	9.0%*
2004	6.0%
2005	10.0%
2006	6.0%
2007	3.0%
2008	14.0%
2009	10.0%
2010	8.0%
2011	9.0%
2012	10.0%
2013+	15.0%

*APPROXIMATELY 65% WERE PREVIOUSLY CALLABLE.

	COST (BOOK) YIELD**	WEIGHTED AVERAGE BOOK YIELD: 7.5%
2003		9.5%
2004		9.7%
2005		6.7%
2006		7.4%
2007		5.9%
2008		6.5%
2009		6.5%
2010		7.1%
2011		6.9%
2012		7.0%
2013+		8.6%

** COST OR "BOOK" YIELD IS THE ANNUAL INCOME EARNED ON A PORTFOLIO INVESTMENT BASED ON ITS ORIGINAL PURCHASE PRICE BEFORE FUND OPERATING EXPENSES. FOR EXAMPLE, THE FUND IS EARNING A BOOK YIELD OF 9.5% ON 9% OF THE LONG-TERM PORTFOLIO THAT IS CALLABLE IN 2003.

PORTFOLIO STRUCTURE IS SUBJECT TO CHANGE.

Morgan Stanley Municipal Income Opportunities Trust
RESULTS OF ANNUAL MEETING

* * *

On December 18, 2002, an annual meeting of the Fund's shareholders was held for the purpose of voting on one matter, the results of which were as follows:

(1) Election of Trustees:

Michael Bozic	
For.....	16,554,284
Withheld.....	352,713
Charles A. Fiumefreddo	
For.....	16,414,955
Withheld.....	492,042
James F. Higgins	
For.....	16,434,005
Withheld.....	472,992

The following Trustees were not standing for reelection at this meeting: Edwin J. Garn, Wayne E. Hedien, Dr. Manuel H. Johnson, Michael E. Nugent and Philip J. Purcell.

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

Morgan Stanley Municipal Income Opportunities Trust
 PORTFOLIO OF INVESTMENTS - MAY 31, 2003

PRINCIPAL AMOUNT IN THOUSANDS		COUPON RATE	MATURITY DATE	
	Tax-Exempt Municipal Bonds (96.0%)			
	Educational Facilities Revenue (1.1%)			
\$ 1,200	ABAG Finance Authority for Nonprofit Corporations, California, National Center for International Schools COPs.....	7.50%	05/01/11	\$ 1,
500	San Diego County, California, The Burnham Institute COPs.....	6.25	09/01/29	
-----				-----
1,700				1,
-----				-----
	Hospital Revenue (14.8%)			
2,000	Baxter County, Arkansas, Baxter County Regional Hospital Impr & Refg Ser 1999 B.....	5.625	09/01/28	2,
2,000	Hawaii Department of Budget & Finance, Kuakini Health 2002 Ser A.....	6.375	07/01/32	2,
1,000	Illinois Health Facilities Authority, Riverside Health Ser 2000.....	6.85	11/15/29	1,
1,000	Indiana Health Facility Financing Authority, Riverview Hospital Ser 2002.....	6.125	08/01/31	1,
2,000	Kentucky Economic Development Finance Authority, Appalachian Regional Healthcare Inc Refg & Impr Ser 1997.....	5.875	10/01/22	1,
2,000	Maryland Health & Higher Educational Facilities Authority, University of Maryland Medical Center Ser 2000.....	6.75	07/01/30	2,
2,000	Massachusetts Health & Educational Facilities Authority, Dana Farber Cancer Institute Ser G-1.....	6.25	12/01/14	2,
3,000	Dana Farber Cancer Institute Ser G-1.....	6.25	12/01/22	3,
3,000	Henderson, Nevada, Catholic Health West 1998 Ser A.....	5.375	07/01/26	2,
1,500	New Hampshire Higher Educational & Health Facilities Authority, Littleton Hospital Assn Ser 1998 A.....	6.00	05/01/28	1,
2,000	New Jersey Health Care Facilities Financing Authority, Raritan Bay Medical Center Ser 1994.....	7.25	07/01/27	2,
1,330	Nassau County Industrial Development Agency, New York, North Shore Health Ser B.....	5.875	11/01/11	1,
1,000	Knox County Health, Educational & Housing Facility Board, Tennessee, Baptist Health of East Tennessee Ser 2002....	6.50	04/15/31	1,
-----				-----
23,830				24,
-----				-----
	Industrial Development/Pollution Control Revenue (16.5%)			
2,000	Los Angeles, California, American Airlines Inc Terminal 4 Ser 2002 C (AMT).....	7.50	12/01/24	1,
360	Metropolitan Washington Airports Authority, District of Columbia & Virginia, CaterAir International Corp Ser 1991 (AMT)++.....	10.125	09/01/11	
2,000	Chicago, Illinois, Chicago O'Hare Int'l Airport/United Airlines Inc Refg Ser 2001 C (a).....	6.30	05/01/16	
1,500	Iowa Finance Authority, IPSCO Inc Ser 1997 (AMT).....	6.00	06/01/27	1,
562	Michigan Strategic Fund, Kasle Steel Corp Ser 1989 (AMT).....	9.375	10/01/06	
1,500	Dayton, Ohio, Emery Air Freight Corp Refg Ser 1998 A.....	5.625	02/01/18	1,

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

See Notes to Financial Statements

7

Morgan Stanley Municipal Income Opportunities Trust
 PORTFOLIO OF INVESTMENTS - MAY 31, 2003 continued

PRINCIPAL AMOUNT IN THOUSANDS		COUPON RATE	MATURITY DATE	V
\$ 600	Zanesville-Muskingum County Port Authority, Ohio, Anchor Glass Container Corp Ser 1989 B (AMT).....	10.25%	12/01/08	\$
2,000	Beaver County Industrial Development Authority, Pennsylvania, Toledo Edison Co Collateralized Ser 1995 B.....	7.75	05/01/20	2,
3,745	Carbon County Industrial Development Authority, Pennsylvania, Panther Creek Partners Refg 2000 Ser (AMT).....	6.65	05/01/10	3,
3,825	Lexington County, South Carolina, Ellett Brothers Inc Refg Ser 1988.....	7.50	09/01/08	3,
1,000	Brazos River Authority, Texas, TXU Electric Co Refg Ser 1999 A (AMT).....	7.70	04/01/33	1,
1,000	TXU Electric Co Refg Ser 2001 C (AMT).....	5.75	05/01/36	1,
1,000	Chesterfield County Industrial Development Authority, Virginia, Virginia Electric & Power Company Ser 1985....	5.50	10/01/09	1,
4,500	Pittsylvania County Industrial Development Authority, Virginia, Multi-Trade of Pittsylvania County Ser 1994 A (AMT).....	7.45	01/01/09	4,
1,500	Multi-Trade of Pittsylvania County Ser 1994 A (AMT).....	7.50	01/01/14	1,
2,000	Upshur County, West Virginia, TJ International Inc Ser 1995 (AMT).....	7.00	07/15/25	2,
-----				-----
29,092				27,
-----				-----
	Mortgage Revenue - Multi-Family (6.8%) Washington County Housing & Redevelopment Authority, Minnesota,			
3,885	Courtly Park Ser 1989 A.....	9.75	06/15/19	3,
1,165	Courtly Park Ser 1989 A (AMT).....	10.25	06/15/19	
24,080	Courtly Park Ser 1989 B.....	0.00	06/15/19	
8,678	Courtly Park Ser 1989 B (AMT).....	0.00	06/15/19	
	White Bear Lake, Minnesota,			
3,715	White Bear Woods Apts Phase II Refg 1989 Ser A.....	9.75	06/15/19	3,
19,771	White Bear Woods Apts Phase II Refg 1989 Ser B.....	0.00	06/15/19	
3,000	Brookhaven Industrial Development Agency, New York, Woodcrest Estates Ser 1998 A (AMT).....	6.375	12/01/37	2,
-----				-----
64,294				11,
-----				-----
	Mortgage Revenue - Single Family (9.3%) Colorado Housing & Finance Authority,			
495	1996 Ser B (AMT).....	7.65	11/01/26	
1,775	Ser 1998 D-2 (AMT).....	6.35	11/01/29	1,
39,165	New Hampshire Housing Finance Authority, Residential 1983 Ser B.....	0.00	01/01/15	12,
-----				-----
41,435				15,
-----				-----

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

	Nursing & Health Related Facilities Revenue (11.7%)			
	Escambia County, Florida,			
6,000	Pensacola Care Development Centers Ser 1989.....	10.25	07/01/11	6,
1,375	Pensacola Care Development Centers Ser 1989 A.....	10.25	07/01/11	1,

See Notes to Financial Statements
8

Morgan Stanley Municipal Income Opportunities Trust
PORTFOLIO OF INVESTMENTS - MAY 31, 2003 continued

PRINCIPAL AMOUNT IN THOUSANDS		COUPON RATE	MATURITY DATE	V

\$ 1,000	Orange County Health Facilities Authority, Florida, Westminister Community Care Services Inc Ser 1999.....	6.75%	04/01/34	\$
2,000	Iowa Health Facilities Development Financing Authority, Care Initiatives Ser 1996.....	9.25	07/01/25	2,
2,330	Jefferson County, Kentucky, AHF/Kentucky-Iowa Inc Ser 1990 (a).....	10.25	01/01/20	1,
1,300	Westside Habilitation Center, Louisiana, Intermediate Care Facility for the Mentally Retarded Refg Ser 1993.....	8.375	10/01/13	1,
1,900	Massachusetts Development Finance Agency, New England Center for Children Ser 1998.....	5.875	11/01/18	1,
1,000	Massachusetts Health & Educational Facilities Authority, The Learning Center for Deaf Children Ser C.....	6.125	07/01/29	
1,040	Mount Vernon Industrial Development Agency, New York, Meadowview at the Wartburg Ser 1999.....	6.00	06/01/09	1,
3,661	Kirbyville Health Facilities Development Authority, Texas, Heartway III Corp Ser 1998 A (b).....	10.00	03/20/18	2,
642	Heartway III Corp Ser 1998 B (b).....	6.00	03/20/04	
-----				-----
22,248				19,2

	Recreational Facilities Revenue (7.5%)			
2,000	Sacramento Financing Authority, California, Convention Center Hotel 1999 Ser A.....	6.25	01/01/30	1,
1,000	San Diego County, California, San Diego Natural History Museum COPs.....	5.70	02/01/28	1,
2,000	Elk Valley Public Improvement Corporation, Colorado, Ser 2001 A.....	7.35	09/01/31	2,
1,010	Mashantucket (Western) Pequot Tribe, Connecticut, Special 1996 Ser A (c).....	6.40	09/01/11	1,
1,000	Special 1997 Ser B (c).....	5.75	09/01/27	1,
1,750	American National Fish & Wildlife Museum District, Missouri, Ser 1999.....	7.00	09/01/19	
2,000	St Louis Industrial Development Authority, Missouri, St Louis Convention Center Headquarters Hotel Ser 2000 (AMT).....	6.875	12/15/20	2,
2,000	Austin Convention Enterprises, Texas, Convention Center Hotel Senior Ser 2000 A.....	6.70	01/01/32	2,
-----				-----
12,760				12,

	Retirement & Life Care Facilities Revenue (11.8%)			
1,000	St Johns County Industrial Development Authority, Florida, Glenmoor Ser 1999 A.....	8.00	01/01/30	1,

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

1,000	Hawaii Department of Budget & Finance, Kahala Nui 2003 Ser A.....	8.00	11/15/33	1,
1,500	Lenexa, Kansas, Lakeview Village - Southridge Ser 2002 C.....	6.875	05/15/32	1,
1,500	Massachusetts Development Finance Agency, Loomis Communities Ser 1999 A.....	5.75	07/01/23	1,

See Notes to Financial Statements

9

Morgan Stanley Municipal Income Opportunities Trust
 PORTFOLIO OF INVESTMENTS - MAY 31, 2003 continued

PRINCIPAL AMOUNT IN THOUSANDS		COUPON RATE	MATURITY DATE	V

\$ 1,000	New Jersey Economic Development Authority, Cedar Crest Village Inc Ser 2001 A.....	7.25%	11/15/31	\$ 1,
1,000	Franciscan Oaks Ser 1997.....	5.70	10/01/17	
1,000	The Presbyterian Home at Montgomery Ser 2001 A.....	6.375	11/01/31	1,
2,000	United Methodist Homes of New Jersey Ser 1998.....	5.125	07/01/25	1,
1,980	Glen Cove Housing Authority, New York, Mayfair at Glen Cove Ser 1996 (AMT).....	8.25	10/01/26	2,
3,250	Suffolk County Industrial Development Agency, New York, Jefferson's Ferry Ser 1999.....	7.25	11/01/28	3,
1,000	Chester County Health & Education Facilities Authority, Pennsylvania, Jenner's Pond Inc Ser 2002.....	7.625	07/01/34	1,
2,100	Vermont Economic Development Authority, Wake Robin Corp Ser 1999 A.....	6.75	03/01/29	2,
1,000	Peninsula Ports Authority of Virginia, Virginia Baptist Homes Ser 2003 A.....	7.375	12/01/32	1,
-----				-----
19,330				19,

	Tax Allocation Revenue (7.7%)			
2,000	Chicago, Illinois, Lake Shore East Ser 2002.....	6.75	12/01/32	2,
2,000	Anne Arundel County, Maryland, National Business Park Ser 2000.....	7.375	07/01/28	2,
2,000	Des Peres, Missouri, West County Center Ser 2002.....	5.75	04/15/20	2,
4,000	Fenton, Missouri, Gravois Bluffs Redevelopment Ser 2001 A Refg.....	7.00	10/01/21	4,
2,000	Las Vegas, Nevada, District No 808 Summerlin Area Ser 2001.....	6.75	06/01/21	2,
-----				-----
12,000				12,

	Transportation Facilities Revenue (5.2%)			
6,500	E-470 Public Highway Authority, Colorado, Ser 1997 B (MBIA).....	0.00	09/01/15	3,
1,935	Mid-Bay Bridge Authority, Florida, Sr Lien Crossover Refg Ser 1993 A (Ambac).....	5.85	10/01/13	2,
1,000	Nevada Department of Business & Industry, Las Vegas Monorail 2nd Tier Ser 2000.....	7.375	01/01/40	
2,000	Pocahontas Parkway Association, Virginia, Route 895 Connector Ser 1998 A.....	5.50	08/15/28	1,
-----				-----
11,435				8,

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

-----	Refunded (3.6%)				
2,000	Northern Palm Beach County Improvement District, Florida, Water Control & Impr #9A Ser 1996 A.....	7.30	08/01/06+	2,	
3,350	Crestwood, Illinois, Refg Ser 1994.....	7.25	12/01/03+	3,	

5,350				5,	

243,474	Total Tax-Exempt Municipal Bonds (Cost \$169,660,388).....			157,	

See Notes to Financial Statements
10

Morgan Stanley Municipal Income Opportunities Trust
PORTFOLIO OF INVESTMENTS - MAY 31, 2003 continued

PRINCIPAL AMOUNT IN THOUSANDS		COUPON RATE	MATURITY DATE	

\$ 1,265	Short-Term Tax-Exempt Municipal Obligations (1.7%) University of North Carolina, Hospitals at Chapel Hill Ser 2001 A (Demand 06/02/03).....	1.27*%	02/15/31	\$ 1,
1,500	Washington Health Care Facilities Authority, Virginia Mason Medical Center Ser 1997 B (MBIA) (Demand 06/02/03).....	1.30*	02/15/27	1,

2,765	Total Short-Term Tax-Exempt Municipal Obligations (Cost \$2,765,000).....			2,

\$246,239	Total Investments (Cost \$172,425,388) (d).....		97.7%	160,
=====				
	Other Assets in Excess of Liabilities.....		2.3	3,
			-----	-----
	Net Assets.....		100.0%	\$164,
			=====	=====

-
- AMT Alternative Minimum Tax.
 - COPs Certificates of Participation.
 - * Current coupon of variable rate demand obligation.
 - + Prerefunded to call date shown.
 - ++ Joint exemption in locations shown.
 - (a) Issuer in bankruptcy; non-income producing security.
 - (b) Issuer in default; non-income producing security.
 - (c) Resale is restricted to qualified institutional investors.
 - (d) The aggregate cost for federal income tax purposes is \$172,358,913. The aggregate gross unrealized appreciation is \$7,136,982 and the aggregate gross unrealized depreciation is \$19,031,943, resulting in net unrealized depreciation of

\$11,894,961.

Bond Insurance:

Ambac Ambac Assurance Corporation.

MBIA Municipal Bond Investors Assurance Corporation.

See Notes to Financial Statements

11

Morgan Stanley Municipal Income Opportunities Trust
 PORTFOLIO OF INVESTMENTS - MAY 31, 2003 continued

Geographic Summary of Investments
 Based on Market Value as a Percent of Net Assets

Arkansas.....	1.2%
California.....	3.9
Colorado.....	5.1
Connecticut.....	1.3
District of Columbia...	0.2
Florida.....	8.4
Hawaii.....	1.9
Illinois.....	4.2
Indiana.....	0.6
Iowa.....	2.3
Kansas.....	1.0
Kentucky.....	1.7
Louisiana.....	0.8
Maryland.....	2.7
Massachusetts.....	5.7
Michigan.....	0.3
Minnesota.....	5.0
Missouri.....	5.7
Nevada.....	3.6
New Hampshire.....	8.6
New Jersey.....	4.2
New York.....	6.6
North Carolina.....	0.8
Ohio.....	1.1
Pennsylvania.....	4.3
South Carolina.....	2.3
Tennessee.....	0.7
Texas.....	4.2
Vermont.....	1.3
Virginia.....	6.0
Washington.....	0.9
West Virginia.....	1.3
Joint Exemption*.....	(0.2)

Total.....	97.7%
	=====

 * Joint exemptions have been included in each geographic location.

See Notes to Financial Statements

Morgan Stanley Municipal Income Opportunities Trust
FINANCIAL STATEMENTS

Statement of Assets and Liabilities
May 31, 2003

Assets:

Investments in securities, at value (cost \$172,425,388).....	\$160,463,952
Cash.....	49,637
Receivable for:	
Interest.....	3,298,912
Investments sold.....	643,110
Prepaid expenses and other assets.....	16,198

Total Assets.....	164,471,809

Liabilities:

Payable for:	
Investment advisory fee.....	80,755
Administration fee.....	48,453
Accrued expenses.....	135,078

Total Liabilities.....	264,286

Net Assets.....	\$164,207,523
	=====

Composition of Net Assets:

Paid-in-capital.....	\$187,136,335
Net unrealized depreciation.....	(11,961,436)
Accumulated undistributed net investment income.....	1,555,984
Accumulated net realized loss.....	(12,523,360)

Net Assets.....	\$164,207,523
	=====

Net Asset Value Per Share, 20,756,472 shares outstanding (unlimited shares authorized of \$.01 par value).....	\$7.91
	=====

See Notes to Financial Statements

Morgan Stanley Municipal Income Opportunities Trust
FINANCIAL STATEMENTS continued

Statement of Operations
For the year ended May 31, 2003

Net Investment Income:	
Interest Income.....	\$12,780,936

Expenses	
Investment advisory fee.....	822,101

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

Administration fee.....	493,261
Transfer agent fees and expenses.....	90,421
Professional fees.....	35,952
Shareholder reports and notices.....	29,540
Trustees' fees and expenses.....	20,909
Registration fees.....	11,167
Custodian fees.....	8,441
Other.....	15,996

Total Expenses.....	1,527,788
Less: expense offset.....	(8,407)

Net Expenses.....	1,519,381

Net Investment Income.....	11,261,555

Net Realized and Unrealized Gain (Loss):	
Net realized loss.....	(746,486)
Net change in unrealized depreciation.....	1,447,725

Net Gain.....	701,239

Net Increase.....	\$11,962,794
	=====

See Notes to Financial Statements

14

Morgan Stanley Municipal Income Opportunities Trust
FINANCIAL STATEMENTS continued

Statement of Changes in Net Assets

	FOR THE YEAR ENDED MAY 31, 2003	FOR THE YEAR ENDED MAY 31, 2002
	-----	-----
Increase (Decrease) in Net Assets:		
Operations:		
Net investment income.....	\$ 11,261,555	\$ 11,589,419
Net realized loss.....	(746,486)	(734,744)
Net change in unrealized depreciation.....	1,447,725	(1,966,899)
	-----	-----
Net Increase.....	11,962,794	8,887,776
Dividends to shareholders from net investment income.....	(11,477,477)	(11,931,193)
Decrease from transactions in shares of beneficial interest.....	(1,296,401)	--
	-----	-----
Net Decrease.....	(811,084)	(3,043,417)
Net Assets:		
Beginning of period.....	165,018,607	168,062,024
	-----	-----
End of Period		
(Including accumulated undistributed net investment income of \$1,555,984 and \$1,771,748, respectively).....	\$164,207,523	\$165,018,607

=====

See Notes to Financial Statements

15

Morgan Stanley Municipal Income Opportunities Trust
NOTES TO FINANCIAL STATEMENTS - MAY 31, 2003

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 bid side of the market each day. 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; (2) futures are valued at the latest sale price on the commodities exchange on which they trade unless it is determined that such price does not reflect their market value, in which case they will be valued at their fair value as determined in good faith under procedures established by and under the supervision of the Trustees; and (3) short-term debt securities having a maturity date of more than sixty days at time of purchase are valued on a mark-to-market basis until sixty days prior to maturity and thereafter at amortized cost based on their value on the 61st day. Short-term debt securities having a maturity date of sixty days or less at the time of purchase are valued at amortized cost.

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

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

16

Morgan Stanley Municipal Income Opportunities Trust
NOTES TO FINANCIAL STATEMENTS - MAY 31, 2003 continued

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

E. Futures Contracts -- A futures contract is an agreement between two parties

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

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

2. Investment Advisory/Administration Agreements

Pursuant to an Investment Advisory Agreement with Morgan Stanley Investment Advisors Inc. (the "Investment Advisor"), 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 0.30% to the Fund's weekly net assets.

3. Security Transactions and Transactions with Affiliates

The cost of purchases and proceeds from sales of portfolio securities, excluding short-term investments, for the year ended May 31, 2003 aggregated \$12,867,040 and \$17,408,171, respectively.

Morgan Stanley Trust, an affiliate of the Investment Advisor and Administrator, is the Fund's transfer agent. At May 31, 2003, the Fund had transfer agent fees and expenses payable of approximately \$8,300.

17

Morgan Stanley Municipal Income Opportunities Trust
NOTES TO FINANCIAL STATEMENTS - MAY 31, 2003 continued

The Fund has an unfunded noncontributory defined benefit pension plan covering all 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 years of service and compensation during the last five years of service. Aggregate pension costs for the year ended May 31, 2003 included in Trustees' fees and expenses in the Statement of Operations amounted to \$7,360. At May 31, 2003, the Fund had an accrued pension liability of \$59,311 which is included in accrued expenses in the Statement of Assets and Liabilities.

4. Shares of Beneficial Interest

Transactions in shares of beneficial interest were as follows:

PAR VALUE	CAPITAL PAID IN EXCESS OF
-----------	---------------------------------

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

	SHARES	OF SHARES	PAR VALUE
	-----	-----	-----
Balance, May 31, 2001.....	20,932,272	\$209,322	\$198,360,1
Reclassification due to permanent book/tax differences.....	--	--	(1
	-----	-----	-----
Balance, May 31, 2002.....	20,932,272	209,322	198,359,9
Treasury shares purchased and retired (weighted average discount 5.83%)*.....	(175,800)	(1,758)	(1,294,6
Reclassification due to permanent book/tax differences.....	--	--	(10,136,5
	-----	-----	-----
Balance, May 31, 2003.....	20,756,472	\$207,564	\$186,928,7
	=====	=====	=====

* The Trustees have voted to retire the shares purchased.

5. 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.

18

Morgan Stanley Municipal Income Opportunities Trust
 NOTES TO FINANCIAL STATEMENTS - MAY 31, 2003 continued

The tax character of distributions paid was as follows:

	FOR THE YEAR ENDED MAY 31, 2003	FOR THE YEAR ENDED MAY 31, 2002
	-----	-----
Tax-exempt income.....	\$11,477,477	\$11,931,193

As of May 31, 2003, the tax-basis components of accumulated losses were as follows:

Undistributed tax-exempt income.....	\$ 1,630,213
Undistributed ordinary income.....	867

Net accumulated earnings.....	1,631,080
Capital loss carryforward*.....	(12,523,360)
Temporary differences.....	(141,571)
Net unrealized depreciation.....	(11,894,961)

Total accumulated losses.....	(\$22,928,812)
	=====

* As of May 31, 2003, the Fund had a net capital loss carryforward of \$12,523,360 of which \$5,243,406 will expire on May 31, 2004, \$700,037 will expire on May 31, 2006, \$87,017 will expire on May 31, 2008, \$4,628,820 will expire on May 31, 2009 and \$1,864,080 will expire on May 31, 2011 to offset future capital gains to the extent provided by regulations.

As of May 31, 2003, the Fund had temporary book/tax differences attributable to book amortization of discount on debt securities and a non-deductible expense and permanent book/tax differences primarily attributable to an expired capital loss carryforward. To reflect reclassifications arising from the permanent differences, paid-in-capital was charged \$10,136,557, accumulated undistributed net investment income was credited \$158 and accumulated net realized loss was credited \$10,136,399.

6. Dividends

The Fund declared the following dividends from net investment income:

DECLARATION DATE	AMOUNT PER SHARE	RECORD DATE	PAYABLE DATE
March 25, 2003	\$0.045	June 6, 2003	June 20, 2003
June 30, 2003	\$0.045	July 11, 2003	July 25, 2003
June 30, 2003	\$0.045	August 8, 2003	August 22, 2003
June 30, 2003	\$0.045	September 5, 2003	September 19, 2003

Morgan Stanley Municipal Income Opportunities Trust
 NOTES TO FINANCIAL STATEMENTS - MAY 31, 2003 continued

7. Expense Offset

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

8. Risks Relating to Certain Financial Instruments

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

At May 31, 2003, the Fund did not hold positions in residual interest bonds.

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

These futures contracts involve elements of market risk in excess of the amount reflected in the Statement of Assets and Liabilities. The Fund bears the risk of an unfavorable change in the value of the underlying securities.

At May 31, 2003, the Fund had no outstanding futures contracts.

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

Morgan Stanley Municipal Income Opportunities Trust
FINANCIAL HIGHLIGHTS

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

	FOR THE YEAR ENDED MAY			
	2003	2002	2001	2000
Selected Per Share Data:				
Net asset value, beginning of the period.....	\$7.88	\$8.03	\$7.79	\$7.79
Income (loss) from investment operations:				
Net investment income*.....	0.54	0.55	0.55	0.55
Net realized and unrealized gain (loss).....	0.04	(0.13)	0.28	0.28
Total income (loss) from investment operations.....	0.58	0.42	0.83	0.83
Less dividends from net investment income.....	(0.55)	(0.57)	(0.59)	(0.59)
Net asset value, end of period.....	\$7.91	\$7.88	\$8.03	\$8.03
Market value, end of period.....	\$7.76	\$8.08	\$8.53	\$8.53
Total Return+.....	3.09%	1.42%	10.78%	10.78%
Ratios to Average Net Assets:				
Expenses (before expense offset).....	0.93%(1)	0.92%	0.93%	0.93%
Net investment income.....	6.85%	6.92%	6.95%	6.95%
Supplemental Data:				
Net assets, end of period, in thousands.....	\$164,208	\$165,019	\$168,062	\$168,062
Portfolio turnover rate.....	8%	7%	16%	16%

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

+ Total return is based upon the current market value on the last day of each period reported. Dividends are assumed to be reinvested at the prices obtained under the Fund's dividend reinvestment plan.

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

See Notes to Financial Statements

21

Morgan Stanley Municipal Income Opportunities Trust
INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying statement of assets and liabilities of Morgan Stanley Municipal Income Opportunities Trust (the "Fund"), including the portfolio of investments, as of May 31, 2003, and the related statements of operations for the year then ended and changes in net assets for each of the two years in the period then ended, and the financial highlights for each of the five years in the period then ended. These financial statements and financial highlights are the responsibility of the Fund's management. Our responsibility is to express an opinion on these financial statements and financial highlights based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. 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. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. Our procedures included confirmation of securities owned as of May 31, 2003, by correspondence with the custodian. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. 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, 2003, 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 8, 2003

2003 FEDERAL TAX NOTICE (UNAUDITED)

For the year ended May 31, 2003, all of the Fund's dividends from net investment income were exempt interest dividends, excludable from gross income for Federal income tax purposes.

22

Morgan Stanley Municipal Income Opportunities Trust
TRUSTEE AND OFFICER INFORMATION

Independent Trustees:

Position(s)	Term of Office and
-------------	--------------------

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

Name, Age and Address of Independent Trustee	Held with Registrant	Length of Time Served*	Principal Occupation(s) During
Michael Bozic (62) c/o Mayer, Brown, Rowe & Maw Counsel to the Independent Trustees 1675 Broadway New York, NY	Trustee	Since April 1994	Retired; Director or Trustee Stanley Funds and TCW/DW Term Trust 2, formerly Vice Chairman of Kmart (December 1998–October 2000), Chief Executive Officer of Leisure Corporation (November 1995–November 1995) and President and Chief Executive Officer of Hills Department Stores (March 1995); formerly variously Chairman, Executive Officer, President and Operating Officer (1987–1991) of Merchandise Group of Sears, Roebuck & Co.
Edwin J. Garn (70) c/o Summit Ventures LLC 1 Utah Center 201 S. Main Street Salt Lake City, UT	Trustee	Since January 1993	Director or Trustee of the Morgan Stanley Funds and TCW/DW Term Trust 2, United States Senator (R-Utah) and Chairman, Senate Banking Committee (1980–1986); formerly Mayor of Salt Lake City, Utah (1971–1974), Astro Shuttle Discovery (April 12–1991), Vice Chairman, Huntsman Corporation (chemical company); member of Regional Advisory Board of Pacific
Wayne E. Hedien (69) c/o Mayer, Brown, Rowe & Maw Counsel to the Independent Trustees 1675 Broadway New York, NY	Trustee	Since September 1997	Retired; Director or Trustee Stanley Funds and TCW/DW Term Trust 2, formerly associated with the Morgan Stanley Companies (1966– 1994), most recently Chairman of The Allstate Corporation (1993–December 1994) and Chairman, Executive Officer of its wholly owned subsidiary, Allstate Insurance Company (July 1989–December 1994).

Name, Age and Address of Independent Trustee	Other Directorships Held by Trustee
Michael Bozic (62) c/o Mayer, Brown, Rowe & Maw Counsel to the Independent Trustees 1675 Broadway New York, NY	Director of Weirton Steel Corporation.
Edwin J. Garn (70) c/o Summit Ventures LLC 1 Utah Center 201 S. Main Street Salt Lake City, UT	Director of Franklin Covey (time management systems), BMW Bank of North America, Inc. (industrial loan corporation), United Space Alliance (joint venture between Lockheed Martin and the Boeing Company) and Nuskin Asia Pacific (multilevel marketing); member of the board of various civic and charitable organizations.
Wayne E. Hedien (69)	Director of The PMI Group Inc.

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

c/o Mayer, Brown, Rowe & Maw
 Counsel to the Independent Trustees
 1675 Broadway
 New York, NY

(private mortgage insurance);
 Trustee and Vice Chairman of The
 Field Museum of Natural History;
 director of various other business
 and charitable organizations.

23

Morgan Stanley Municipal Income Opportunities Trust
 TRUSTEE AND OFFICER INFORMATION 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
Dr. Manuel H. Johnson (54) c/o Johnson Smick International, Inc. 2099 Pennsylvania Avenue, N.W. Suite 950 Washington, D.C.	Trustee	Since July 1991	Chairman of the Audit Committee; Director or Trustee of the Morgan Stanley Funds and TCW/DW Term Trust 2000-2001; Partner, Johnson Smick International, Inc., a consulting firm; Co-Chairman of the Group of Seven (G7C), an international economic commission; formerly Vice Chairman of the Board of Governors of the Federal Reserve System and Assistant Secretary of the Treasury.
Michael E. Nugent (67) c/o Triumph Capital, L.P. 445 Park Avenue New York, NY	Trustee	Since July 1991	Chairman of the Insurance Commission; Director or Trustee of the Morgan Stanley Funds and TCW/DW Term Trust 2000-2001; director/trustee of various investment companies managed by Morgan Stanley Investment Management Inc. and Morgan Stanley Investments LP (since 1991); General Partner, Triumph Capital, L.P., a private investment partnership; Vice President, Bankers Trust Corporation; BT Capital Corporation (1984-1991).

Name, Age and Address of Independent Trustee	Other Directorships Held by Trustee
Dr. Manuel H. Johnson (54) c/o Johnson Smick International, Inc. 2099 Pennsylvania Avenue, N.W. Suite 950 Washington, D.C.	Director of NVR, Inc. (home construction); Chairman and Trustee of the Financial Accounting Foundation (oversight organization of the Financial Accounting Standards Board); Director of RBS Greenwich Capital Holdings (financial holding company).
Michael E. Nugent (67) c/o Triumph Capital, L.P.	Director of various business organizations.

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

445 Park Avenue
New York, NY

24

Morgan Stanley Municipal Income Opportunities Trust
TRUSTEE AND OFFICER INFORMATION continued

Interested Trustees:

Name, Age and Address of Interested Trustee	Position(s) Held with Registrant	Term of Office and Length of Time Served*	Principal Occupation(s) During
Charles A. Fiumefreddo (70) c/o Morgan Stanley Trust Harborside Financial Center, Plaza Two, Jersey City, NJ	Chairman of the Board and Trustee	Since July 1991	Chairman and Director of Trust Morgan Stanley Funds and TCW/2003; formerly Chairman, Chief Officer and Director of the I Manager, the Distributor and Services, Executive Vice Pres Director of Morgan Stanley DW Director of the Transfer Agen Director and/or officer of va Stanley subsidiaries (until J Chief Executive Officer of th Stanley Funds and the TCW/DW (until September 2002).
James F. Higgins (55) c/o Morgan Stanley Trust Harborside Financial Center, Plaza Two, Jersey City, NJ	Trustee	Since June 2000	Director or Trustee of the Mo Funds and TCW/DW Term Trust 2 June 2000); Senior Advisor of Stanley (since August 2000); the Distributor and Dean Witt Inc.; Director of AXA Financi The Equitable Life Assurance United States (financial serv previously President and Chief Officer of the Private Client Morgan Stanley (May 1999-Aug President and Chief Operating Individual Securities of Morg (February 1997-May 1999).
Philip J. Purcell (59) 1585 Broadway New York, NY	Trustee	Since April 1994	Director or Trustee of the Mo Funds and TCW/DW Term Trust 2 of the Board of Directors and Executive Officer of Morgan S Morgan Stanley DW; Director o Distributor; Chairman of the Directors and Chief Executive Novus Credit Services Inc.; D officer of various Morgan Sta subsidiaries.

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

Name, Age and Address of Interested Trustee	Other Directorships Held by Trustee
Charles A. Fiumefreddo (70) c/o Morgan Stanley Trust Harborside Financial Center, Plaza Two, Jersey City, NJ	None
James F. Higgins (55) c/o Morgan Stanley Trust Harborside Financial Center, Plaza Two, Jersey City, NJ	None
Philip J. Purcell (59) 1585 Broadway New York, NY	Director of American Airlines, Inc. and its parent company, AMR Corporation.

-
- * Each Trustee serves an indefinite term, until his or her successor is elected.
 - ** The Fund Complex includes all open and closed-end funds (including all of their portfolios) advised by Morgan Stanley Investment Advisors Inc. and any funds that have an investment advisor that is an affiliated person of Morgan Stanley Investment Advisors Inc. (including but not limited to, Morgan Stanley Investment Management Inc., Morgan Stanley Investments LP and Van Kampen Asset Management Inc.).

25

Morgan Stanley Municipal Income Opportunities Trust
TRUSTEE AND OFFICER INFORMATION continued

Officers:

Name, Age and Address of Executive Officer	Position(s) Held with Registrant	Term of Office and Length of Time Served*	Principal Occupation(s)
Mitchell M. Merin (49) 1221 Avenue of the Americas New York, NY	President	Since May 1999	President and Chief Operating Officer of Investment Management (since December 1997) and Director (since April 1997) and Director (since June 1998) of the Investment Management Services; Chairman, Chief Operating Officer and Director of the Distributor (since June 1998) and Director of various subsidiaries; President (since May 1999) of Morgan Stanley Funds and TCW/DW Term Trusts (since December 1999) and President and Chief Executive Officer (since October 2002) of the Van Kampen Closed-End Funds

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

			Strategic Officer of the Investment Manager, Morgan Stanley Services and Executive Vice President and Distributor (April 1997-June 1999) (September 2002-April 2003) and (1997-April 1999) of the Morgan Stanley Municipal Income Opportunities Trust Term Trusts, and Executive Vice President and
Ronald E. Robison (64) 1221 Avenue of the Americas New York, NY	Executive Vice President and Principal Executive Officer	Since April 2003	Managing Director, Chief Administrator (since February 1999) of the Investment Manager, Morgan Stanley Services, Chief Executive Officer of the Transfer Agent and Executive Vice President and Principal Executive Officer of the TCW/DW Term Trust 2003 (since April 2003) and Managing Director of the TCW Group
Barry Fink (48) 1221 Avenue of the Americas New York, NY	Vice President, Secretary and General Counsel	Since February 1997	General Counsel (since May 2000) (since December 2000) of Morgan Stanley Services; Managing Director (since July 1998) of the Investment Manager, Morgan Stanley Services; Assistant Secretary of Morgan Stanley DW; Vice President, Secretary of the Morgan Stanley Funds and TCW Term Trust (February 1997); Managing Director of the Distributor; previously, Vice President and General Counsel of the Investment Manager, Morgan Stanley Services (February 1997-December 1999)
Joseph J. McAlinden (60) 1221 Avenue of the Americas New York, NY	Vice President	Since July 1995	Managing Director and Chief Investment Officer, Investment Manager, Morgan Stanley Services, Inc. and Morgan Stanley Investment Manager, Transfer Agent, Chief Investment Officer of the Morgan Stanley Funds.
Francis Smith (37) c/o Morgan Stanley Trust Harborside Financial Center, Plaza Two, Jersey City, NJ	Vice President and Chief Financial Officer	Since September 2002	Vice President and Chief Financial Officer of the Investment Manager, Morgan Stanley Funds and TCW/DW Term Trust (since September 2002); Executive Director of the Investment Manager, Morgan Stanley Services (since December 2000); Vice President of the Investment Manager, Morgan Stanley Services (August 2000-November 2000) and PricewaterhouseCoopers LLP (January 2000)
Thomas F. Caloia (57) c/o Morgan Stanley Trust Harborside Financial Center, Plaza Two, Jersey City, NJ	Treasurer	Since April 1989	Executive Director (since December 2000) and Treasurer of the Investment Manager, Morgan Stanley Services; previously, Executive Director of the Investment Manager, the Distributor, and Treasurer of the Morgan Stanley Funds; Treasurer of the Morgan Stanley Funds

 * Each Officer serves an indefinite term, until his or her successor is elected.

(This Page Intentionally Left Blank)

TRUSTEES

Michael Bozic
 Charles A. Fiunefreddo

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

Edwin J. Garn
Wayne E. Hedien
James F. Higgins
Dr. Manuel H. Johnson
Michael E. Nugent
Philip J. Purcell

OFFICERS

Charles A. Fiumefreddo
Chairman of the Board

Mitchell M. Merin
President

Ronald E. Robison
Executive Vice President and Principal Executive Officer

Barry Fink
Vice President, Secretary and General Counsel

Joseph J. McAlinden
Vice President

Francis Smith
Vice President and Chief Financial Officer

Thomas F. Caloia
Treasurer

TRANSFER AGENT

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

INDEPENDENT AUDITORS

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

INVESTMENT MANAGER

Morgan Stanley Investment Advisors Inc.
1221 Avenue of the Americas
New York, New York 10020

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

MORGAN STANLEY
MUNICIPAL INCOME
OPPORTUNITIES TRUST

Annual Report
May 31, 2003

38538RPT-11551G03-AP-7/03

ITEM 7 Disclosure of Proxy Voting Policies and Procedures for Closed-end Management Investment Companies.

The Fund's and its Investment Advisor's Proxy Voting Policies and Procedures are as follows:

MORGAN STANLEY INVESTMENT MANAGEMENT
PROXY VOTING POLICY AND PROCEDURES

I. POLICY STATEMENT

Introduction - Morgan Stanley Investment Management's ("MSIM") policies and procedures for voting proxies with respect to securities held in the accounts of clients applies to those MSIM entities that provide discretionary Investment Management services and for which a MSIM entity has the authority to vote their proxies. The policies and procedures and general guidelines in this section will be reviewed and, as necessary, updated periodically to address new or revised proxy voting issues. The MSIM entities covered by these policies and procedures currently include the following: Morgan Stanley Investment Advisors Inc., Morgan Stanley Alternative Investment Partners, L.P., Morgan Stanley AIP GP LP, Morgan Stanley Investment Management Inc., Morgan Stanley Investment Group Inc., Morgan Stanley Investment Management Limited, Morgan Stanley Investment Management Company, Morgan Stanley Asset & Investment Trust Management Co., Limited, Morgan Stanley Investment Management Private Limited, Morgan Stanley Investments LP, Morgan Stanley Hedge Fund Partners GP LP, Morgan Stanley Hedge Fund Partners LP, Van Kampen Investment Advisory Corp., Van Kampen Asset Management Inc., and Van Kampen Advisors Inc. (each a "MSIM Affiliate" and collectively referred to as the "MSIM Affiliates").

Each MSIM Affiliate will vote proxies as part of its authority to manage, acquire and dispose of account assets. With respect to the MSIM registered management investment companies (Van Kampen, Institutional and Advisor Funds) (collectively referred to as the "MSIM Funds"), each MSIM Fund will vote proxies pursuant to authority granted under its applicable investment advisory agreement or, in the absence of such authority, as authorized by its Board of Directors or Trustees. A MSIM Affiliate will not vote proxies if the "named fiduciary" for an ERISA account has reserved the authority for itself, or in the case of an account not governed by ERISA, the Investment Management Agreement does not authorize the MSIM Affiliate to vote proxies. MSIM Affiliates will, in a prudent and diligent manner, vote proxies in the best interests of clients, including beneficiaries of and participants in a client's benefit plan(s) for which we manage assets, consistent with the objective of maximizing long-term investment returns ("Client Proxy Standard"). In certain situations, a client or its fiduciary may provide a MSIM Affiliate with a statement of proxy voting policy. In these situations, the MSIM Affiliate will comply with the client's policy unless to do so would be inconsistent with applicable laws or regulations or the MSIM Affiliate's fiduciary responsibility.

2

Proxy Research Services - To assist the MSIM Affiliates in their responsibility for voting proxies and the overall global proxy voting process, Institutional Shareholder Services ("ISS") and the Investor Responsibility Research Center ("IRRC") have been retained as experts in the proxy voting and corporate governance area. ISS and IRRC are independent advisers that specialize in providing a variety of fiduciary-level proxy-related services to institutional investment managers, plan sponsors, custodians, consultants, and other institutional investors. The services provided to MSIM Affiliates include in-depth research, global issuer analysis, and voting recommendations. In

addition to research, ISS provides vote execution, reporting, and recordkeeping. MSIM's Proxy Review Committee (see Section IV.A. below) will carefully monitor and supervise the services provided by the proxy research services.

Voting Proxies for certain Non-US Companies - While the proxy voting process is well established in the United States and other developed markets with a number of tools and services available to assist an investment manager, voting proxies of non-US companies located in certain jurisdictions, particularly emerging markets, may involve a number of problems that may restrict or prevent a MSIM Affiliate's ability to vote such proxies. These problems include, but are not limited to: (i) proxy statements and ballots being written in a language other than English; (ii) untimely and/or inadequate notice of shareholder meetings; (iii) restrictions on the ability of holders outside the issuer's jurisdiction of organization to exercise votes; (iv) requirements to vote proxies in person, (v) the imposition of restrictions on the sale of the securities for a period of time in proximity to the shareholder meeting; and (vi) requirements to provide local agents with power of attorney to facilitate the MSIM Affiliate's voting instructions. As a result, clients' non-U.S. proxies will be voted on a best efforts basis only, consistent with the Client Proxy Standard. ISS has been retained to provide assistance to the MSIM Affiliates in connection with voting their clients' non-US proxies.

II. GENERAL PROXY VOTING GUIDELINES

To ensure consistency in voting proxies on behalf of its clients, MSIM Affiliates will follow (subject to any exception set forth herein) these Proxy Voting Policies and Procedures, including the guidelines set forth below. These guidelines address a broad range of issues, including board size and composition, executive compensation, anti-takeover proposals, capital structure proposals and social responsibility issues and are meant to be general voting parameters on issues that arise most frequently. The MSIM Affiliates, however, may vote in a manner that is contrary to the following general guidelines, pursuant to the procedures set forth in Section IV. below, provided the vote is consistent with the Client Proxy Standard.

III. GUIDELINES

A. MANAGEMENT PROPOSALS

3

1. When voting on routine ballot items the following proposals are generally voted in support of management, subject to the review and approval of the Proxy Review Committee, as appropriate.
 - Selection or ratification of auditors.
 - Approval of financial statements, director and auditor reports.
 - Election of Directors.
 - Limiting Directors' liability and broadening indemnification of Directors.
 - Requirement that a certain percentage (up to 66 2/3%) of its Board's members be comprised of independent and unaffiliated Directors.
 - Requirement that members of the company's compensation, nominating and audit committees be comprised of independent or unaffiliated

Directors.

- Recommendations to set retirement ages or require specific levels of stock ownership by Directors.
- General updating/corrective amendments to the charter.
- Elimination of cumulative voting.
- Elimination of preemptive rights.
- Provisions for confidential voting and independent tabulation of voting results.
- Proposals related to the conduct of the annual meeting except those proposals that relate to the "transaction of such other business which may come before the meeting."

2. The following non-routine proposals, which potentially may have a substantive financial or best interest impact on a shareholder, are generally voted in support of management, subject to the review and approval of the Proxy Review Committee, as appropriate.

Capitalization changes

- Capitalization changes that eliminate other classes of stock and voting rights.

4

- Proposals to increase the authorization of existing classes of common stock (or securities convertible into common stock) if: (i) a clear and legitimate business purpose is stated; (ii) the number of shares requested is reasonable in relation to the purpose for which authorization is requested; and (iii) the authorization does not exceed 100% of shares currently authorized and at least 30% of the new authorization will be outstanding.
- Proposals to create a new class of preferred stock or for issuances of preferred stock up to 50% of issued capital.
- Proposals for share repurchase plans.
- Proposals to reduce the number of authorized shares of common or preferred stock, or to eliminate classes of preferred stock.
- Proposals to effect stock splits.
- Proposals to effect reverse stock splits if management proportionately reduces the authorized share amount set forth in the corporate charter. Reverse stock splits that do not adjust proportionately to the authorized share amount will generally be approved if the resulting increase in authorized shares coincides with the proxy guidelines set forth above for common stock increases.

Compensation

- Director fees, provided the amounts are not excessive relative to other companies in the country or industry.
- Employee stock purchase plans that permit discounts up to 15%, but only for grants that are part of a broad based employee plan, including all non-executive employees.
- Establishment of Employee Stock Option Plans and other employee ownership plans.

Anti-Takeover Matters

- Modify or rescind existing supermajority vote requirements to amend the charters or bylaws.
- Adoption of anti-greenmail provisions provided that the proposal: (i) defines greenmail; (ii) prohibits buyback offers to large block holders not made to all shareholders or not approved by disinterested

5

shareholders; and (iii) contains no anti-takeover measures or other provisions restricting the rights of shareholders.

3. The following non-routine proposals, which potentially may have a substantive financial or best interest impact on the shareholder, are generally voted against (notwithstanding management support), subject to the review and approval of the Proxy Review Committee, as appropriate.

- Capitalization changes that add classes of stock that which substantially dilute the voting interests of existing shareholders.
- Proposals to increase the authorized number of shares of existing classes of stock that carry preemptive rights or supervoting rights.
- Creation of "blank check" preferred stock.
- Changes in capitalization by 100% or more.
- Compensation proposals that allow for discounted stock options that have not been offered to employees in general.
- Amendments to bylaws that would require a supermajority shareholder vote to pass or repeal certain provisions.
- Proposals to indemnify auditors.

4. The following types of non-routine proposals, which potentially may have a potential financial or best interest impact on an issuer, are voted as determined by the Proxy Review Committee.

Corporate Transactions

- Mergers, acquisitions and other special corporate transactions (i.e., takeovers, spin-offs, sales of assets, reorganizations, restructurings and recapitalizations) will be examined on a case-by-case basis. In all cases, ISS and IRRC research and

analysis will be used along with MSIM Affiliates' research and analysis, based on, among other things, MSIM internal company-specific knowledge.

- Change-in-control provisions in non-salary compensation plans, employment contracts, and severance agreements that benefit management and would be costly to shareholders if triggered.
- Shareholders rights plans that allow appropriate offers to shareholders to be blocked by the board or trigger provisions that prevent legitimate offers from proceeding.

6

- Executive/Director stock option plans. Generally, stock option plans should meet the following criteria:
 - (i) Whether the stock option plan is incentive based;
 - (ii) For mature companies, should be no more than 5% of the issued capital at the time of approval;
 - (iii) For growth companies, should be no more than 10% of the issued capital at the time of approval.

Anti-Takeover Provisions

- Proposals requiring shareholder ratification of poison pills.
- Anti-takeover and related provisions that serve to prevent the majority of shareholders from exercising their rights or effectively deter the appropriate tender offers and other offers.

B. SHAREHOLDER PROPOSALS

1. The following shareholder proposals are generally supported, subject to the review and approval of the Proxy Review Committee, as appropriate:
 - Requiring auditors to attend the annual meeting of shareholders.
 - Requirement that members of the company's compensation, nominating and audit committees be comprised of independent or unaffiliated Directors.
 - Requirement that a certain percentage of its Board's members be comprised of independent and unaffiliated Directors.
 - Confidential voting.
 - Reduction or elimination of supermajority vote requirements.
2. The following shareholder proposals will be voted as determined by the Proxy Review Committee.
 - Proposals that limit tenure of directors.

- Proposals to limit golden parachutes.

7

- Proposals requiring directors to own large amounts of stock to be eligible for election.
- Restoring cumulative voting in the election of directors.
- Proposals that request or require disclosure of executive compensation in addition to the disclosure required by the Securities and Exchange Commission ("SEC") regulations.
- Proposals that limit retirement benefits or executive compensation.
- Requiring shareholder approval for bylaw or charter amendments.
- Requiring shareholder approval for shareholder rights plan or poison pill.
- Requiring shareholder approval of golden parachutes.
- Elimination of certain anti-takeover related provisions.
- Prohibit payment of greenmail.

3. The following shareholder proposals are generally not supported, subject to the review and approval of the Committee, as appropriate.

- Requirements that the issuer prepare reports that are costly to provide or that would require duplicative efforts or expenditures that are of a non-business nature or would provide no pertinent information from the perspective of institutional shareholders.
- Restrictions related to social, political or special interest issues that impact the ability of the company to do business or be competitive and that have a significant financial or best interest impact to the shareholders.
- Proposals that require inappropriate endorsements or corporate actions.

IV. ADMINISTRATION OF PROXY POLICIES AND PROCEDURES

A. PROXY REVIEW COMMITTEE

1. The MSIM Proxy Review Committee ("Committee") is responsible for creating and implementing MSIM's Proxy Voting Policy and Procedures and, in this regard, has expressly adopted them. Following are some of the functions and responsibilities of the Committee.

8

(a) The Committee, which will consist of members designated by MSIM's Chief Investment Officer, is responsible for establishing MSIM's proxy voting policies and guidelines and determining how MSIM will vote proxies on an ongoing basis.

(b) The Committee will periodically review and have the authority to amend as necessary MSIM's proxy voting policies and guidelines (as expressed in these Proxy Voting Policy and Procedures) and establish and direct voting positions consistent with the Client Proxy Standard.

(c) The Committee will meet at least monthly to (among other matters): (1) address any outstanding issues relating to MSIM's Proxy Voting Policy and Procedures; and (2) generally review proposals at upcoming shareholder meetings of MSIM portfolio companies in accordance with this Policy and Procedures including, as appropriate, the voting results of prior shareholder meetings of the same issuer where a similar proposal was presented to shareholders. The Committee, or its designee, will timely communicate to ISS MSIM's Proxy Voting Policy and Procedures (and any amendments to them and/or any additional guidelines or procedures it may adopt).

(d) The Committee will meet on an ad hoc basis to (among other matters): (1) authorize "split voting" (i.e., allowing certain shares of the same issuer that are the subject of the same proxy solicitation and held by one or more MSIM portfolios to be voted differently than other shares) and/or "override voting" (i.e., voting all MSIM portfolio shares in a manner contrary to the Procedures); (2) review and approve upcoming votes, as appropriate, for matters for which specific direction has been provided in Sections I, II, and III above; and (3) determine how to vote matters for which specific direction has not been provided in Sections I, II and III above. Split votes will generally not be approved within a single Global Investor Group team. The Committee may take into account ISS recommendations and the research provided by IRRC as well as any other relevant information they may request or receive.

(e) In addition to the procedures discussed above, if the Committee determines that an issue raises a potential material conflict of interest, or gives rise to the appearance of a potential material conflict of interest, the Committee will designate a special committee to review, and recommend a course of action with respect to, the conflict(s) in question ("Special Committee"). The Special Committee may request the assistance of the Law and Compliance Departments and will have sole discretion to cast a

IRRC, the Special Committee may request analysis from MSIM Affiliate investment professionals and outside sources to the extent it deems appropriate.

(f) The Committee and the Special Committee, or their designee(s), will document in writing all of their decisions and actions, which documentation will be maintained by the Committee and the Special Committee, or their designee(s) for a period of at least 6 years. To the extent these decisions relate to a security held by a MSIM U.S. registered investment company, the Committee and Special Committee, or their designee(s), will report their decisions to each applicable Board of Trustees/Directors of those investment companies at each Board's next regularly Scheduled Board meeting. The report will contain information concerning decisions made by the Committee and Special Committee during the most recently ended calendar quarter immediately preceding the Board meeting.

(g) The Committee and Special Committee, or their designee(s), will timely communicate to applicable PMs, the Compliance Departments and, as necessary to ISS, decisions of the Committee and Special Committee so that, among other things, ISS will vote proxies consistent with their decisions.

10

Item 9 - Controls and Procedures

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

There were no significant changes or corrective actions with regard to significant deficiencies or material weaknesses in the Fund's internal controls or in other factors that could significantly affect the Fund's internal controls subsequent to the date of their evaluation.

Item 10b Exhibits

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

Items 2 - 6 and Items 8 and 10a are not applicable

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.

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

Morgan Stanley Municipal Income Opportunities Trust

Ronald E. Robison
Principal Executive Officer
July 22, 2003

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.

Ronald E. Robison
Principal Executive Officer
July 22, 2003

Francis Smith
Principal Financial Officer
July 22, 2003