

MORGAN STANLEY MUNICIPAL INCOME OPPORTUNITIES TRUST

Form N-Q

October 29, 2008

**UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549  
FORM N-Q  
QUARTERLY SCHEDULE OF PORTFOLIO HOLDINGS OF REGISTERED  
MANAGEMENT INVESTMENT COMPANY  
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: August 31, 2008

**Item 1. Schedule of Investments.**

The Fund's schedule of investments as of the close of the reporting period prepared pursuant to Rule 12-12 of Regulation S-X is as follows:

---

**Morgan Stanley Municipal Income Opportunities Trust**  
**Portfolio of Investments August 31, 2008 (unaudited)**

PRINCIPAL AMOUNT IN THOUSANDS		COUPON RATE	MATURITY DATE	VALUE
<b>Tax-Exempt Municipal Bonds (106.6%)</b>				
<b>Alabama (1.0%)</b>				
\$ 1,000	Colbert County-Northwest Health Care Authority, Helen Keller Hospital Ser 2003	5.75%	06/01/27	\$ 956,380
400	Cullman Medical Park South, Medical Clinic Board of the City Ser 1993 A	6.50	02/15/23	400,040
				1,356,420
<b>Arizona (2.0%)</b>				
800	Pima County Industrial Development Authority, Water & Wastewater Ser 2007 (AMT)	6.55	12/01/37	715,736
1,225	Pima County Industrial Development Authority, Constellation Schools Ser 2008	7.00	01/01/38	1,158,801
400	Pinal County Electrical District # 4 Ser 2008	6.00	12/01/38	393,648
600	Scottsdale Industrial Development Authority, Scottsdale Healthcare Ser 2008 A (WI)	5.25	09/01/30	577,068
				2,845,253
<b>California (7.8%)</b>				
1,935	California County Tobacco Securitization Agency, Gold County Settlement Funding Corp Ser 2006	0.00	06/01/33	272,970
335	California Municipal Finance Authority Educational Facility, Ser 2008	5.875	07/01/28	328,816
1,000	California Statewide Communities Development Authority, California Baptist University Ser 2007 A	5.50	11/01/38	878,490
600	California Statewide Communities Development Authority, Daughters of Charity Health Ser 2005 A	5.00	07/01/39	512,388
400	California Statewide Communities Development Authority, Thomas Jefferson School Ser 2008 A	7.25	10/01/38	389,712
1,000	Daly City Housing Development Finance Agency, Franciscan Mobile Home Park Third Tier Refg Ser 2007 C	6.50	12/15/47	874,470
4,000	Golden State Tobacco Securitization Corporation, Asset Backed Ser 2007 A-1 (a)	5.125	06/01/47	2,987,242
800	Quechan Indian Tribe FT Yuma Indian Reservation Ser 2008	7.00	12/01/27	768,728
1,000	Sacramento Financing Authority, Convention Center Hotel Ser 1999 A	6.25	01/01/30	1,049,620
1,000	San Diego County, San Diego Natural History Museum COPs	5.70	02/01/28	908,810
1,000	San Marcos Community Facilities District #2002-01, University Commons Ser 2004	5.95	09/01/35	969,330
1,000	Santa Ana Unified School District Community Facilities, District #2004-1, Central Park Ser 2005	5.10	09/01/35	832,260

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

13,000	Silicon Valley Tobacco Securitization Authority, Santa Clara Tobacco Securitization Corp Ser 2007 C	0.00	06/01/56	241,800
				11,014,636
	<b>Colorado (4.0%)</b>			
1,000	Colorado Health Facilities Authority, Christian Living Communities Ser 2006 A	5.75	01/01/37	874,890
10	Colorado Housing Finance Authority, 1996 Ser B-1 (AMT)	7.65	11/01/26	10,192
305	Colorado Housing Finance Authority, 1998 Ser B-3	6.35	11/01/29	320,509
1,000	Copperleaf Metropolitan District #2 Ser 2006	5.95	12/01/36	794,220
2,000	Elk Valley Public Improvement Corporation Ser 2001 A	7.35	09/01/31	1,994,700
2,000	Northwest Metropolitan District #3 Ser 2005	6.25	12/01/35	1,681,980
				5,676,491
	<b>Connecticut (1.7%)</b>			
2,000	Georgetown Special Taxing District Ser 2006 A (b)	5.125	10/01/36	1,463,940
1,000	Mashantucket (Western) Pequot Tribe, Special Ser 1997 B (b)	5.75	09/01/27	894,290
				2,358,230
	<b>District of Columbia (0.2%)</b>			
260	Metropolitan Washington Airports Authority, District of Columbia & Virginia, CaterAir International Corp Ser 1991 (AMT) (c)	10.125	09/01/11	260,107
	<b>Florida (17.4%)</b>			
500	Alachua County Industrial Development, North Florida Retirement Village Ser 2007	5.25	11/15/17	467,330
800	Alachua County Florida Industrial Development, North Florida Retirement Village Ser 2007	5.875	11/15/36	698,592
2,000	Beacon Lakes, Community Development District Ser 2003 A	6.90	05/01/35	1,905,199
950	Bellalago Educational Facilities Benifits District, Bellalago Chapter School Ser 2004 B	5.80	05/01/34	911,392
650	Brevard County Health Facilities authority, Buena Vida Estates, Inc Ser 2007	6.75	01/01/37	624,988
2,960	Broward County Professional Sports Facilities, Civic Arena Refg Ser 2006 A (AMBAC Insd) (a)	5.00	09/01/23	3,050,546
2,780	Escambia County, Pensacola Care Development Centers Ser 1989	10.25	07/01/11	2,809,745
645	Escambia County, Pensacola Care Development Centers Ser 1989 A	10.25	07/01/11	651,902
1,000	Fiddlers Creek Community Development District # 1 Ser 2005	6.00	05/01/38	907,230
500	Fountainbleau Lakes Community Development District Ser 2007 B (b)	6.00	05/01/15	458,790
750	Grand Bay at Doral Community Development District Ser 2007 A	6.00	05/01/39	579,652
1,000	Lee County Florida Industrial Development Authority Ser 2007 A	5.375	06/15/37	809,690
1,000	Midtown Miami Community Development District, Parking Garage Ser 2004 A	6.25	05/01/37	908,210

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

500	Orange County Health Facilities Authority, Orlando Lutheran Towers, Inc Ser 2005	5.70	07/01/26	444,310
2,000	Orange County Health Facilities Authority, Orlando Lutheran Towers, Inc Ser 2007	5.50	07/01/32	1,677,600
1,000	Orange County Health Facilities Authority, Westminister Community Care Services Inc Ser 1999	6.75	04/01/34	1,002,500
1,000	Pinellas County Health Facilities Authority, Oaks of Clearwater Ser 2004	6.25	06/01/34	1,004,760
965	Renaissance Commons Community Development District, Ser 2005 A	5.60	05/01/36	790,094
500	Split Pine Community Development District, Ser 2007 A	5.25	05/01/39	397,695
2,860	South Miami Health Facilities Authority, Baptist Health South Florida Obligated Group Ser 2007 (a)	5.00	08/15/32	2,710,880
1,000	St Johns County Industrial Development Authority, Glenmoor Ser 1999 A	8.00	01/01/10(d)	1,096,120
600	Tolomato Community Development District, Special Assessment Ser 2007	6.55	05/01/27	586,986
				24,494,211
	<b>Georgia (1.3%)</b>			
2,000	Atlanta Eastside Ser 2005 B	5.60	01/01/30	1,786,200
	<b>Hawaii (3.1%)</b>			
1,000	Hawaii Department of Budget & Finance, Kahala Nui Ser 2003 A	8.00	11/15/33	1,075,220
2,000	Hawaii Department of Budget & Finance, Kuakini Health 2002 Ser A	6.375	07/01/32	2,021,419
1,220	Hawaii Ser 2008 DK (a)	5.00	05/01/23	1,292,877
				4,389,516
	<b>Idaho (0.7%)</b>			
1,000	Idaho Health Facilities Authority-Valley Vista Care Corp Refg Ser 2007	6.125	11/15/27	921,250

---

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

PRINCIPAL AMOUNT IN THOUSANDS		COUPON MATURITY		VALUE
		RATE	DATE	
<b>Illinois (6.9%)</b>				
1,000	Bolingbrook Sales Tax Ser 2005	6.25	01/01/24	975,090
2,000	Chicago Lake Shore East Ser 2002	6.75	12/01/32	2,008,299
1,000	Illinois Finance Authority, Elmhurst Memorial Healthcare Ser 2008 A	5.625	01/01/37	967,610
1,000	Illinois Finance Authority, Landing at Plymouth Ser 2005 A	6.00	05/15/37	877,390
1,000	Illinois Finance Authority, Luther Oaks Ser 2006 A	6.00	08/15/39	884,920
1,650	Illinois Finance Authority, Montgomery Place Ser 2006 A	5.75	05/15/38	1,392,418
725	Lincolnshire, Service Area #1-Sedgebrook Ser 2004	6.25	03/01/34	688,330
500	Village of Hampshire, Kane County Special Service Area # 18 Crown Development Tamms Farm Ser 2007 A	6.00	03/01/44	413,900
650	Will-Kankakee Regional Development Authority, Senior Estates Supportive Living Ser 2007 (AMT)	7.00	12/01/42	621,166
1,000	Yorkville Special Service Area #2006-113, Cannonball/Beecher Road Ser 2007	5.75	03/01/28	864,750
				9,693,873
<b>Iowa (1.5%)</b>				
785	Jefferson County Hospital Ser 2007 C	5.95	08/01/37	714,311
1,000	Iowa Finance Authority, Bethany Life Communities Refg Ser 2006 A	5.55	11/01/41	813,340
750	Iowa Finance Authority Health Care Facilities, Madrid Homes Ser 2007	5.90	11/15/37	646,605
				2,174,256
<b>Kansas (0.6%)</b>				
900	Olathe Catholic Care Ser 2006 A	6.00	11/15/38	807,525
<b>Louisiana (0.9%)</b>				
800	Lakeshore Villages Master Community Development District, Special Assessment Ser 2007	5.25	07/01/17	718,840
600	Louisiana Public Facilities Authority, Lake Charles Memorial Hospital Refg Ser 2007	6.375	12/01/34	565,272
				1,284,112
<b>Maryland (1.8%)</b>				
1,000	Maryland Economic Development Corporation, Chesapeake Bay Conference Center Ser 2006 A	5.00	12/01/31	749,230
800	Maryland Health & Higher Educational Facilities Authority, Washington Christian Academy Ser 2006	5.50	07/01/38	649,224

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

500	Maryland Industrial Development Financing Authority, Our Lady of Good Counsel High School Ser 2005 A	6.00	05/01/35	489,855
750	Maryland State Health & Higher Educational Facilities Authority, King Farm Presbyterian Community 2007 Ser A	5.30	01/01/37	596,393
				2,484,702
<b>Massachusetts (2.8%)</b>				
1,500	Massachusetts Development Finance Agency, Loomis Communities Ser 1999 A	5.75	07/01/23	1,500,060
1,625	Massachusetts Development Finance Agency, New England Center for Children Ser 1998	5.875	11/01/18	1,559,074
1,000	Massachusetts Health & Educational Facilities Authority, The Learning Center for Deaf Children Ser 1999 C	6.125	07/01/29	945,660
				4,004,794
<b>Michigan (2.5%)</b>				
1,230	Detroit Sewerage Disposal, Senior Lien Revenue Refg Ser 2001 C-2 (FGIC Insd) (a)	5.25	07/01/29	1,269,028
600	Gaylord Hospital Financing Authority, Otsego Memorial Hospital Ser 2004	6.50	01/01/37	565,626
2,000	Michigan Tobacco Settlement Finance Authority, Asset Backed Ser 2007 A	6.00	06/01/48	1,667,460
				3,502,114
<b>Minnesota (0.5%)</b>				
750	North Oaks Senior Housing Presbyterian Homes Ser 2007	6.125	10/01/39	702,390
<b>Mississippi (0.3%)</b>				
400	Mississippi Business Finance Corp., Pollution Control Revenue Refg Ser 1998	5.875	04/01/22	387,972
<b>Missouri (6.7%)</b>				
750	Branson Hills Community Improvement District Ser 2007 A	5.50	04/01/27	661,238
500	Branson Regional Airport Transportation Development District Ser 2007 B (AMT)	6.00	07/01/37	404,225
2,000	Des Peres, West County Center Ser 2002	5.75	04/15/20	1,928,440
3,850	Fenton, Gravois Bluffs Redevelopment Refg Ser 2001 A	7.00	10/01/11(d)	4,384,496
1,500	Kansas City Industrial Development Agency, Bishop Spencer 2004 Ser A	6.50	01/01/35	1,426,560
750	St. Louis Industrial Development Authority, St. Andrews Resources for Seniors Ser 2007 A	6.375	12/01/41	686,595
				9,491,554
<b>Nevada (1.5%)</b>				

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

450	Henderson, Nevada, Local Improvement District #T-18, Ser 2006	5.30	09/01/55	304,376
1,050	Mesquite Nevada Special Improvement District # 07-01 Local Improvement-Anthem at Mesquite Ser 2007	6.00	08/01/23	989,279
1,000	Nevada Department of Business & Industry, Las Vegas Monorail 2nd Tier Ser 2000	7.375	01/01/40	287,370
600	Sparks, Local Improvement District # 3 Legends at Sparks Marina Ser 2008	6.50	09/01/20	587,550
				2,168,575
<b>New Hampshire (3.3%)</b>				
8,895	New Hampshire Housing Finance Authority, Single Family Residential 1983 Ser B	0.00	01/01/15	4,628,692
<b>New Jersey (5.6%)</b>				
1,000	New Jersey Economic Development Authority, Cedar Crest Village Inc Ser 2001 A	7.25	11/15/11(d)	1,150,510
1,000	New Jersey Economic Development Authority, Franciscan Oaks Ser 1997	5.70	10/01/17	978,950
730	New Jersey Economic Development Authority, Lions Gate Ser 2005 A	5.875	01/01/37	648,043
700	New Jersey Economic Development Authority, Seashore Gardens Living Center Ser 2006	5.375	11/01/36	570,318
1,000	New Jersey Economic Development Authority, The Presbyterian Home at Montgomery Ser 2001 A	6.375	11/01/31	953,780
2,000	New Jersey Economic Development Authority, United Methodist Homes of New Jersey Ser 1998	5.125	07/01/25	1,663,780
2,000	New Jersey Health Care Facilities Financing Authority, Raritan Bay Medical Center Ser 1994	7.25	07/01/27	1,980,499
				7,945,880
<b>New York (5.2%)</b>				
3,000	Brookhaven Industrial Development Agency, Woodcrest Estates Ser 1998 A (AMT)	6.375	12/01/37	2,954,670
235	Mount Vernon Industrial Development Agency, Meadowview at the Wartburg Ser 1999	6.00	06/01/09	234,554
1,800	New York City Industrial Development Agency, 7 World Trade Center LLC Ser 2005 A	6.50	03/01/35	1,827,215
1,000	New York Liberty Development Corporation, National Sports Museum, Ser 2006 A	6.125	02/15/19	887,880
1,500	Suffolk County Industrial Development Agency, Medford Hamlet Ser 2006	6.375	01/01/39	1,363,035
				7,267,354

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

PRINCIPAL AMOUNT IN THOUSANDS		COUPON RATE	MATURITY DATE	VALUE
	<b>North Carolina (0.6%)</b>			
400	North Carolina Medical Care Commission Healthcare Facilities, Pennybyrn Ser 2005 A	6.125	10/01/35	355,168
500	North Carolina Medical Care Commission Healthcare Facilities, Southminster Ser 2007 A	5.75	10/01/37	468,230
				823,398
	<b>North Dakota (1.2%)</b>			
1,500	Grand Forks 4000 Valley Square Ser 2006	5.30	12/01/34	1,208,295
500	Ward County, Trinity Ser 2006	5.125	07/01/29	461,720
				1,670,015
	<b>Ohio (3.3%)</b>			
3,300	Buckeye Tobacco Settlement Financing Authority, Asset Backed Ser 2007 A-2	5.875	06/01/30	2,867,799
600	Centerville Health Care, Bethany Lutheran Village Continuing Care Facility, Ser 2007 A	6.00	11/01/38	521,280
850	Cuyahoga County Health Care and Independent Living Facilities, Eliza Jennings Senior Care Ser 2007 A	5.75	05/15/27	756,211
450	Tuscarawas County Hospital Facilities, Twin City Hospital Ser 2007	6.35	11/01/37	415,130
75	Zanesville-Muskingum County Port Authority, Anchor Glass Container Corp Ser 1989 B (AMT)	10.25	12/01/08	75,146
				4,635,566
	<b>Oklahoma (0.5%)</b>			
650	Chickasaw Nation Health Systems Ser 2007	6.25	12/01/32	652,607
	<b>Pennsylvania (7.9%)</b>			
2,300	Allegheny County Hospital Development Authority, West Penn Allegheny Health Ser 2007 A	5.375	11/15/40	1,614,209
1,500	Bucks County Industrial Development Authority, Ann s Choice Ser 2005 A	6.125	01/01/25	1,491,734
1,000		7.625	07/01/12(d)	1,187,930



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

	Chester County Health & Educational Facilities Authority, Jenner s Pond Inc Ser 2002			
500	Fulton County Industrial Development Authority, Fulton County Medical Center Ser 2006	5.875	07/01/31	450,970
1,000	Harrisburg Authority, Harrisburg University of Science & Technology Ser 2007 B	6.00	09/01/36	935,290
1,000	Montgomery County Industrial Development Authority, Whitmarsh Community Ser 2005	6.25	02/01/35	902,440
1,000	Pennsylvania Economic Development Financing Authority, Reliant Energy Inc Ser 2001 A (AMT)	6.75	12/01/36	1,003,870
2,860	Pennsylvania Housing Finance Agency Ser 2007-100A (AMT) (a)	5.10	10/01/22	2,754,151
1,000	Washington County, Victory Centre/Tanger Outlet Redevelopment Authority Ser 2006 A	5.45	07/01/35	850,080
				11,190,674
	<b>South Carolina (2.1%)</b>			
1,250	Myrtle Beach, Air Force Base Redevelopment Ser 2006 A	5.30	11/01/35	992,788
1,000	South Carolina Jobs-Economic Development Authority, Lutheran Homes Ser 2007	5.625	05/01/42	823,930
750	South Carolina Jobs-Economic Development Authority, Westley Commons Ser 2006	5.30	10/01/36	599,183
625	South Carolina Jobs-Economic Development authority, Woodlands At Furman Ser 2007 A	6.00	11/15/37	551,456
				2,967,357
	<b>Tennessee (1.1%)</b>			
500	Shelby County Health, Educational & Housing Facilities Board, Trezevant Manor Ser 2006 A	5.75	09/01/37	460,150
750	Shelby County Health, Educational & Housing Facilities Board, Village at Germantown Ser 2003 A	7.25	12/01/34	739,838
500	Shelby County Health, Educational & Housing Facilities Board, Village at Germantown Ser 2006	6.25	12/01/34	403,805
				1,603,793
	<b>Texas (7.8%)</b>			
2,000	Austin Convention Enterprises Inc, Convention Center Hotel Ser 2001 A	6.70	01/01/11(d)	2,190,320
2,000		5.75	01/01/34	1,765,400

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

	Austin Convention Enterprises Inc, Convention Center Hotel Ser 2006 B			
1,000	Brazos River Authority, Texas Utilities Electric Co Refg Ser 1999 A (AMT)	7.70	04/01/33	930,980
1,000	Decatur Hospital Authority, Wise Regional Health Ser 2004 A	7.125	09/01/34	1,017,180
1,250	HFDC Central Texas Inc, Legacy at Willow Bend, Ser 2006 A	5.75	11/01/36	1,039,575
1,000	Lubbock Health Facilities Development Corporation, Carillon Senior Lifecare Ser 2005 A	6.50	07/01/26	959,690
3,375	Texas Department of Housing and Community Affairs 2007 Ser B (AMT) (a)	5.15	09/01/27	3,138,721
				11,041,866
	<b>Virginia (1.6%)</b>			
2,000	Peninsula Ports Authority of Virginia, Baptist Homes Ser 2006 C	5.40	12/01/33	1,638,260
700	Peninsula Town Center Community Development Authority Ser 2007	6.45	09/01/37	630,140
				2,268,400
	<b>Washington (0.6%)</b>			
1,000	Washington Housing Finance Commission, Skyline at First Hill Ser 2007 A	5.625	01/01/38	877,650
	<b>West Virginia (0.6%)</b>			
825	West Virginia Hospital Finance Authority, Thomas Health System, Inc. Ser 2008	6.50	10/01/38	790,862
	<b>Total Tax-Exempt Municipal Bonds</b> <i>(Cost \$160,634,405)</i>			150,168,295
	<b>Short-Term Investments (1.3%)</b> <b>Short-Term Tax-Exempt Municipal</b> <b>Obligation (0.7%)</b>			
1,000	Harris County Health Facilities Development Corp., Baylor College of Medicine Ser 2007 A (Demand 09/01/08) <i>(Cost \$1,000,000)</i>	8.50(e)	11/15/47	1,000,000

NUMBER  
OF

SHARES  
(000)

825	<p><b>Investment Company (f) (0.6%)</b>  Morgan Stanley Institutional Liquidity Tax-Exempt  Portfolio-  Institutional Class  <i>(Cost \$825,164)</i></p>	825,164
	<p><b>Total Short-Term Investments</b>  <i>(Cost \$1,825,164)</i></p>	1,825,164
	<p><b>Total Investments</b>  <i>(Cost \$162,459,569)</i></p>	151,993,459

PRINCIPAL  
AMOUNT IN  
THOUSANDS

\$ (13,440)	<p><b>Floating Rate Note Obligations Related to Securities Held (-9.6%)</b>  Notes with interest rates ranging from 1.61% to  1.82% at August 31, 2008 and contractual maturities  of collateral ranging from 10/01/22 to 06/01/47 (g)  <i>(Cost \$(13,440,000))</i></p>	(13,440,000)
-------------	--	--------------

---

PRINCIPAL  
AMOUNT  
IN  
THOUSANDS

<b>Total Net Investments</b>	98.3%	138,553,459
<i>(Cost \$149,429,254) (h)</i>		
<b>Other Assets in Excess of Liabilities</b>	1.7	2,342,426
<b>Net Assets</b>	100.0%	\$ 140,895,885

*AMT Alternative  
Minimum Tax.*

*COPs Certificates of  
Participation.*

*WI Security  
purchased on a  
when-issued  
basis.*

*(a) Underlying  
security related  
to inverse  
floater entered  
into by the  
Fund.*

*(b) Resale is  
restricted to  
qualified  
institutional  
investors.*

*(c) Joint exemption.*

*(d) Prerefunded to  
call date shown.*

*(e) Current coupon  
of variable rate  
demand  
obligation.*

*(f) The Fund  
invests in*

*Morgan Stanley  
Institutional  
Liquidity  
Tax-Exempt  
Portfolio -  
Institutional  
Class, an  
open-end  
management  
investment  
company  
managed by the  
Investment  
Adviser.  
Investment  
Advisory fees  
paid by the  
Fund are  
reduced by an  
amount equal to  
the advisory and  
administrative  
service fees paid  
by Morgan  
Stanley  
Institutional  
Liquidity  
Tax-Exempt  
Portfolio  
Institutional  
Class with  
respect to assets  
invested by the  
Fund in Morgan  
Stanley  
Institutional  
Liquidity  
Tax-Exempt  
Portfolio  
Institutional  
Class.*

- (g) *Floating rate  
note obligations  
related to  
securities held  
The Fund enters  
into  
transactions in  
which it  
transfers to*

*Dealer Trusts ( Dealer Trusts ), fixed rate bonds in exchange for cash and residual interests in the Dealer Trusts assets and cash flows, which are in the form of inverse floating rate investments. The Dealer Trusts fund the purchases of the fixed rate bonds by issuing floating rate notes to third parties and allowing the Fund to retain residual interest in the bonds. The Fund enters into shortfall agreements with the Dealer Trusts which commit the Fund to pay the Dealer Trusts, in certain circumstances, the difference between the liquidation value of the fixed rate bonds held by the Dealer Trusts and the liquidation value of the floating rate notes held by third parties, as well as any shortfalls in*

*interest cash flows. The residual interests held by the Fund (inverse floating rate investments) include the right of the Fund (1) to cause the holders of the floating rate notes to tender their notes at par at the next interest rate reset date, and (2) to transfer the municipal bond from the Dealer Trusts to the Fund, thereby collapsing the Dealer Trusts. The Fund accounts for the transfer of bonds to the Dealer Trusts as secured borrowings, with the securities transferred remaining in the Fund's investment assets, and the related floating rate notes reflected as Fund liabilities. The notes issued by the Dealer Trusts have interest rates that reset weekly and the floating rate*

*note holders have the option to tender their notes to the Dealer Trusts for redemption at par at each reset date. At August 31, 2008, Fund investments with a value of \$17,203,445 are held by the Dealer Trusts and serve as collateral for the \$13,440,000 in floating rate note obligations outstanding at that date.*

- (h) *The aggregate cost for federal income tax purposes approximates the aggregate cost for book purposes.*

*Bond Insurance:*

*AMBAC                    AMBAC Assurance Corporation.*  
*FGIC                      Financial Guaranty Insurance Company.*

---



**MS Municipal Income Opportunities Trust**  
**Notes to the Portfolio of Investments**  
**FAS 157**

The Fund adopted Financial Accounting Standards Board Statement of Financial Accounting Standards No. 157, Fair Value Measurements ( FAS 157 ), effective December 1, 2007. In accordance with FAS 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. FAS 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 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.)

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.

The following is a summary of the inputs used as of August 31, 2008 in valuing the Fund's investments carried at value:

		Fair Value Measurements at August 31, 2008		
		Using		
		Quoted	Significant	Significant
		Prices In	Other	Unobservable
		Active	Observable	
		Market for	Inputs	Inputs
		Identical	(Level 2)	(Level 3)
		Assets		
Total		(Level 1)		
Investments in Securities	\$ 138,553,459	\$ 825,164	\$ 137,728,295	

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 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.

---

**Item 2. Controls and Procedures.**

(a) 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-Q 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 Fund's internal control over financial reporting that occurred during the registrant's fiscal quarter that has materially affected, or is reasonably likely to materially affect, the Fund's internal control over financial reporting.

**Item 3. Exhibits.**

(a) A separate certification for each principal executive officer and principal financial officer of the registrant are attached hereto.

**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

October 21, 2008

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

/s/ Randy Takian

Randy Takian

Principal Executive Officer

October 21, 2008

/s/ Francis Smith

Francis Smith

Principal Financial Officer

October 21, 2008