

VAN KAMPEN MUNICIPAL OPPORTUNITY TRUST II
Form N-CSR
December 30, 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 811-7676

Van Kampen Municipal Opportunity Trust II

(Exact name of registrant as specified in charter)

1221 Avenue of the Americas NY NY 10020

(Address of principal executive offices) (Zip code)

Ronald Robison 1221 Avenue of the Americas New York, NY 10020

(Name and address of agent for service)

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

Date of fiscal year end: 10/31

Date of reporting period: 10/31/03

Item 1. Report to Shareholders

Welcome, Shareholder

In this report, you'll learn about how your investment in Van Kampen Municipal Opportunity Trust II performed during the annual period. The portfolio management team will provide an overview of the market conditions and discuss some of the factors that affected investment performance during the reporting period. In addition, this report includes the trust's financial statements and a list of trust investments as of October 31, 2003.

Market forecasts provided in this report may not necessarily come to pass. There is no assurance that the trust will achieve its investment objective. The trust is subject to market risk, which is the possibility that the market values of securities owned by the trust will decline and, therefore, the value of the trust shares may be less than what you paid for them. Accordingly, you can lose money investing in this trust.

NOT FDIC INSURED MAY LOSE VALUE NO BANK GUARANTEE

Performance Summary

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MUNICIPAL OPPORTUNITY TRUST II

SYMBOL: VOT

| AVERAGE ANNUAL TOTAL RETURNS | BASED ON NAV | BASED ON MARKET PRICE |
|---------------------------------|-----------------|--------------------------|
| Since Inception (6/25/93) | 6.70% | 5.97% |
| 10-year | 6.27 | 6.08 |
| 5-year | 6.52 | 6.81 |
| 1-year | 7.24 | 10.27 |

Past performance is no guarantee of future results. Investment return, net asset value (NAV) and common share market price will fluctuate and trust shares, when sold, may be worth more or less than their original cost.

As a result of recent market activity, current performance may vary from the figures shown. For more up-to-date information, please visit vankampen.com or speak with your financial advisor. The NAV per share is determined by dividing the value of the trust's portfolio securities, cash and other assets, less all liabilities, by the total number of common shares outstanding. The common share market price is the price the market is willing to pay for shares of the trust at a given time. Common share market price is influenced by a range of factors, including supply and demand and market conditions. Total return assumes an investment at the beginning of the period, reinvestment of all distributions for the period in accordance with the trust's dividend reinvestment plan, and sale of all shares at the end of the period.

The Lehman Brothers Municipal Bond Index is a broad-based statistical composite of municipal bonds. The index is unmanaged and does not include any sales charges or fees. Such costs would lower performance. It is not possible to invest directly in an index.

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Trust Report

FOR THE 12-MONTH PERIOD ENDED OCTOBER 31, 2003

Van Kampen Municipal Opportunity Trust II is managed by the adviser's Municipal Fixed Income team. (1) Current members include Timothy D. Haney, Vice President; Robert Wimmel, Vice President; and John Reynoldson, Executive Director.

MARKET CONDITIONS

The economic backdrop for the 12 months ended October 31 was largely characterized by the persistent weakness of the U.S. economy. One of the most closely watched economic indicators, employment strength, was in negative territory for much of the period. Repeated comments from government and private-sector economists suggesting that the U.S. economy might be entering a deflationary period also seemed to weigh heavily on the minds of investors over the course of the year. At the same time, ongoing budgetary and fiscal difficulties at the state and local level contributed to ratings downgrades for

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many municipal bonds. The Federal Reserve Board (the Fed) attempted to allay these fears and keep the economy moving in the right direction by cutting the Fed Funds target rate twice during the period to a level of 1.00 percent. Although the stock markets appeared to look past the sluggish economic data, bonds, in general, were hampered.

While yields on intermediate- and long-term bonds ended the period roughly where they began, the road between those two points was decidedly bumpy. The 12-month period can be divided into two distinct market environments. The first of these, which lasted from October 2002 to mid-June 2003, saw municipal yields fall by roughly 80 basis points to levels not seen since the late 1960s. These plummeting yields led to a surge in issuance as municipalities moved to lock in low financing and, in the case of older bonds, low refinancing costs. These record levels of supply met with substantial demand as investors in search of relative stability poured cash into municipal bond funds. Demand for municipal bonds was also strong from so-called "cross-over" buyers--investors who traditionally favor taxable investments, but were drawn to the relatively attractive yields of municipal bonds.

The municipal market reversed abruptly in mid-June, when yields began to climb from their lows. Investors during this phase shifted their attention to the advancing equity market, which reduced demand for municipal bonds. Interest from cross-over investors also evaporated as the relative attractiveness of the taxable market returned. Issuance remained strong throughout this leg of the period, though it abated somewhat in the last three months of the reporting year. These forces combined to drive municipal bond yields off of their historic lows, ending the period where they began.

(1) Team members may change without notice at any time.

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PERFORMANCE ANALYSIS

The trust's return can be calculated based upon either the market price or the net asset value (NAV) of its shares. NAV per share is determined by dividing the value of the trust's portfolio securities, cash and other assets, less all liabilities by the total number of common shares outstanding, while market price reflects the supply and demand for the shares. As a result, the two returns can differ significantly. On both a market price and an NAV basis, the trust outperformed its benchmark, the Lehman Brothers Municipal Bond Index. (See table below.)

The trust's significant position in health-care bonds generated attractive income, as well as price appreciation driven by yield-seeking investors drawn to the bonds' relatively robust yields. Certain issues in this sector met their investment objectives during the period, and we subsequently sold them in favor of bonds with superior total-return potential. Our strategy of avoiding housing bonds also helped the trust; the sector performed poorly amidst record levels of mortgage refinancing activity.

The trust uses leverage to enhance its dividend to common shareholders by borrowing money at short-term rates through the issuance of preferred shares. The proceeds are reinvested in longer-term securities, taking advantage of the difference between short- and longer-term rates. With short-term rates at historic lows during the period, the difference between short- and longer-term rates was relatively high. This made using leverage a particularly profitable approach during the period, and added to the trust's strong performance.

While the trust outperformed its benchmark, not all of its positions performed strongly over the entire period in question. With interest rates falling to

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historic lows, our analysis showed an increasing possibility of a damaging upward shift in interest rates. We positioned the trust defensively by maintaining a duration (a measure of interest-rate sensitivity) that was slightly shorter than that of the benchmark during the period. This position helped the trust when rates climbed, but kept it from fully participating in the bond market rally earlier in the period.

We attempted to be equally defensive in managing the portfolio's maturity structure. Given the steepness of the yield curve for much of the period

TOTAL RETURN FOR THE 12-MONTH PERIOD ENDED OCTOBER 31, 2003

| BASED ON NAV | BASED ON MARKET PRICE | LEHMAN BROTHERS MUNICIPAL BOND INDEX |
|-----------------|--------------------------|-----------------------------------------|
| 7.24% | 10.27% | 5.11% |

Past performance is no guarantee of future results. Investment return, net asset value and common share market price will fluctuate and trust shares, when sold, may be worth more or less than their original cost. See Performance Summary for additional performance information.

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(steepness is a measure of the difference in yields between long- and short-maturity securities), we focused on a strategy designed to outperform in a curve-flattening environment. We purchased premium bonds in the 13- to 20-year range which were priced to 10-year call dates. These bonds offer attractive yields compared to bonds with similar interest-rate risk. We sold bonds in the 7- to 10-year range, an area of the curve that we feel will underperform if short rates rise. This curve flattening did not occur as early as we anticipated, however, and the strategy hampered performance when short rates fell in the first part of the period. However, when long-bond yields rose in the latter part of the period, our emphasis on defensive bonds in the 13- to 20-year range helped to preserve principal.

In addition to this core strategy, we also traded high-grade bonds in the 30-year range based on relative value fluctuations. We sought out issues that were cheap relative to comparable bonds, and then sold them after they achieved their performance targets in order to reinvest the proceeds into securities that we believe that have greater total-return prospects.

Many municipalities faced budget shortfalls and potential credit downgrades during the period. In this challenging environment, we sought to preserve principal by emphasizing the highest credit quality tiers of the municipal bond market. As of October 31, 2003, approximately 83 percent of the trust's long-term investments were invested in bonds rated AA and above. We will continue with our disciplined investment approach, monitoring the market closely for compelling opportunities.

| TOP 5 SECTORS AS OF 10/31/03 | | RATINGS ALLOCATION AS OF 10/31/03 | |
|------------------------------|-------|-----------------------------------|-------|
| General Purpose | 18.1% | AAA/Aaa | 70.1% |
| Health Care | 16.8 | AA/Aa | 13.0 |

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| | | | |
|--------------------|------|-----------|------|
| Public Education | 13.9 | A/A | 10.7 |
| Transportation | 9.1 | BBB/Baa | 4.7 |
| Industrial Revenue | 8.1 | BB/Ba | 0.3 |
| | | B/B | 0.5 |
| | | Non-Rated | 0.7 |

Subject to change daily. All percentages are as a percentage of long-term investments. Provided for informational purposes only and should not be deemed as a recommendation to buy securities in the sectors shown above. Securities are classified by sectors that represent broad groupings of related industries. Rating allocations based upon ratings as issued by Standard and Poor's and Moody's, respectively. Morgan Stanley is a full-service securities firm engaged in securities trading and brokerage activities, investment banking, research and analysis, financing and financial advisory services.

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PROXY VOTING POLICIES AND PROCEDURES

A description of the trust's policies and procedures with respect to the voting of proxies relating to the trust's portfolio securities is available without charge, upon request, by calling 1-800-847-2424. This information is also available on the Securities and Exchange Commission's website at <http://www.sec.gov>.

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BY THE NUMBERS

YOUR TRUST'S INVESTMENTS

October 31, 2003

THE FOLLOWING PAGES DETAIL YOUR TRUST'S PORTFOLIO OF INVESTMENTS AT THE END OF THE REPORTING PERIOD.

| PAR AMOUNT (000) | DESCRIPTION | COUPON | MATURITY | MARKET VALUE |
|------------------------|---------------------------------------------------------------------------------------|--------|----------|-----------------|
| | MUNICIPAL BONDS 160.8% | | | |
| | ALABAMA 2.4% | | | |
| \$1,000 | Birmingham Baptist Med Ctr AL Baptist Hlth Sys Ser A..... | 5.875% | 11/15/24 | \$ 1,045,820 |
| 1,035 | Lee Cnty, AL Sch Wts Ltd Oblig (MBIA Insd)..... | 5.000 | 02/01/16 | 1,106,456 |
| 1,090 | Lee Cnty, AL Sch Wts Ltd Oblig (MBIA Insd)..... | 5.000 | 02/01/17 | 1,156,632 |
| 1,000 | Valley, AL Spl Care Fac Fin Auth Rev Lanier Mem Hosp Ser A..... | 5.600 | 11/01/16 | 916,650 |
| | | | | ----- |
| | | | | 4,225,558 |
| | | | | ----- |
| | ARIZONA 7.5% | | | |
| 5,000 | Arizona Sch Fac Brd Ctfs Ser B (FGIC Insd)..... | 5.250 | 09/01/18 | 5,404,400 |
| 2,235 | Arizona Tourism & Sports Auth Tax Rev Multipurpose Stad Fac Ser A (MBIA Insd)..... | 5.375 | 07/01/21 | 2,398,557 |
| 1,085 | Maricopa Cnty, AZ Uni Sch Dist No 41 Gilbert Rfdg (FSA Insd)..... | 4.500 | 07/01/13 | 1,146,747 |
| 1,300 | Scottsdale, AZ Incl Dev Auth Hosp Rev Scottsdale | | | |

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| | | | | |
|-------|--------------------------------------------------|-------|----------|------------|
| | Hlthcare..... | 5.800 | 12/01/31 | 1,320,930 |
| 2,685 | South Campus Group LLC AZ Std Hsg Rev AZ St Univ | | | |
| | South Campus Proj (MBIA Insd)..... | 5.625 | 09/01/35 | 2,877,917 |
| | | | | ----- |
| | | | | 13,148,551 |
| | | | | ----- |
| | CALIFORNIA 19.2% | | | |
| 7,195 | Anaheim, CA Pub Fin Auth Lease Rev Cap Apprec | | | |
| | Sub Pub Impt Proj Ser C (FSA Insd)..... | * | 09/01/21 | 2,872,820 |
| 1,300 | Anaheim, CA Pub Fin Auth Lease Rev Pub Impt Proj | | | |
| | Ser C (FSA Insd)..... | 6.000 | 09/01/16 | 1,536,626 |
| 2,000 | California St Dept Wtr Res Pwr Ser A..... | 6.000 | 05/01/15 | 2,273,920 |
| 2,345 | California St Dept Wtr Res Pwr Ser A (XLCA | | | |
| | Insd)..... | 5.375 | 05/01/17 | 2,543,598 |
| 4,600 | California St Pub Wks Brd Lease Rev Var Univ CA | | | |
| | Proj Ser A Rfdg (a)..... | 5.500 | 06/01/10 | 5,244,506 |
| 5,905 | California St Pub Wks Brd Lease Rev Var Univ CA | | | |
| | Proj Ser A Rfdg..... | 5.500 | 06/01/14 | 6,665,682 |
| 5,000 | Foothill/Eastern Corridor Agy CA Toll Rd Rev Cap | | | |
| | Apprec Rfdg (MBIA Insd)..... | * | 01/15/18 | 2,385,700 |
| 2,000 | Foothill/Eastern Corridor Agy CA Toll Rd Rev Sr | | | |
| | Lien Ser A (Prerefunded @ 01/01/07)..... | 6.500 | 01/01/32 | 2,293,020 |
| 5,000 | Los Angeles, CA Uni Sch Dist Ser A (FSA Insd)... | 5.250 | 07/01/20 | 5,345,650 |
| 2,465 | Los Angeles, CA Uni Sch Dist Ser B (FGIC | | | |
| | Insd)..... | 5.000 | 07/01/23 | 2,504,637 |
| | | | | ----- |
| | | | | 33,666,159 |
| | | | | ----- |

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See Notes to Financial Statements

YOUR TRUST'S INVESTMENTS

October 31, 2003

| PAR AMOUNT (000) | DESCRIPTION | COUPON | MATURITY | MARKET VALUE |
|------------------------|--------------------------------------------------|--------|----------|-----------------|
| | COLORADO 10.0% | | | |
| \$1,000 | Arapahoe Cnty, CO Cap Impt Tr Fd Hwy Rev E-470 | | | |
| | Proj (Prerefunded @ 08/31/05)..... | 7.000% | 08/31/26 | \$ 1,133,690 |
| 7,500 | Arapahoe Cnty, CO Cap Impt Tr Fd Hwy Rev E-470 | | | |
| | Proj Ser C (Prerefunded @ 08/31/05)..... | * | 08/31/26 | 1,525,050 |
| 1,945 | Colorado Ed & Cultural Impt Charter Sch Pinnacle | | | |
| | Rfdg (XLCA Insd)..... | 5.250 | 06/01/23 | 2,024,414 |
| 1,000 | Colorado Hlth Fac Auth Rev Catholic Hlth | | | |
| | Initiatives Ser A..... | 5.500 | 03/01/32 | 1,019,660 |
| 1,250 | Colorado Hlth Fac Auth Rev Hosp Portercare | | | |
| | Adventist Hlth..... | 6.500 | 11/15/31 | 1,347,250 |
| 1,500 | Denver, CO City & Cnty Arpt Rev Ser D..... | 7.750 | 11/15/13 | 1,851,900 |
| 3,515 | E-470 Pub Hwy Auth CO Rev Cap Apprec Sr Ser B | | | |
| | (MBIA Insd)..... | * | 09/01/13 | 2,310,445 |
| 6,160 | E-470 Pub Hwy Auth CO Rev Sr Ser A (MBIA | | | |
| | Insd)..... | 5.000 | 09/01/21 | 6,312,583 |
| | | | | ----- |
| | | | | 17,524,992 |
| | | | | ----- |

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|-------|-------------------------------------------------------------------------------|-------|----------|------------|
| | ILLINOIS 16.3% | | | |
| 3,750 | Bolingbrook, IL Cap Apprec Ser B (MBIA Insd).... | * | 01/01/32 | 770,062 |
| 2,850 | Chicago, IL Brd Ed Cap Apprec Sch Reform B-1 (FGIC Insd)..... | * | 12/01/23 | 974,985 |
| 3,365 | Chicago, IL Cap Apprec (Prerefunded @ 07/01/05) (AMBAC Insd)..... | * | 01/01/17 | 1,582,526 |
| 830 | Chicago, IL Single Family Mtg Rev Ser A (GNMA Collateralized)..... | 7.000 | 09/01/27 | 834,324 |
| 160 | Chicago, IL Single Family Mtg Rev Ser B (GNMA Collateralized)..... | 7.625 | 09/01/27 | 163,354 |
| 2,540 | Cook Cnty, IL Sch Dist No 122 Oak Lawn Cap Apprec (FGIC Insd)..... | * | 12/01/15 | 1,466,139 |
| 4,500 | Cook Cnty, IL Ser A (FGIC Insd)..... | 5.500 | 11/15/31 | 4,730,580 |
| 1,000 | Illinois Dev Fin Auth Rev Cmnty Rehab Providers Fac Ser A..... | 7.375 | 07/01/25 | 1,061,530 |
| 4,305 | Illinois Hlth Fac Auth Rev OSF Hlthcare Sys Rfdg..... | 6.000 | 11/15/10 | 4,397,644 |
| 8,000 | Illinois St First Ser (FSA Insd)..... | 5.250 | 12/01/19 | 8,532,080 |
| 3,400 | Illinois St First Ser (FSA Insd)..... | 5.250 | 04/01/27 | 3,510,228 |
| 516 | Peoria, Moline & Freeport, IL Coll Mtg Ser A (GNMA Collateralized)..... | 7.600 | 04/01/27 | 542,146 |
| | | | | ----- |
| | | | | 28,565,598 |
| | | | | ----- |
| | INDIANA 7.6% | | | |
| 2,805 | Dekalb Eastn High Sch Bldg Corp Ind First Mtg (FSA Insd)..... | 6.000 | 01/15/18 | 3,182,385 |
| 4,000 | East Chicago, IN Elementary Sch Bldg Corp First Mtg Ser A..... | 6.250 | 07/05/08 | 4,559,840 |
| 3,000 | Indiana Hlth Fac Fin Auth Hosp Rev Columbus Regl Hosp Rfdg (FSA Insd)..... | 7.000 | 08/15/15 | 3,749,340 |
| 2,000 | Petersburg, IN Pollutn Ctl Rev IN Pwr & Lt..... | 5.950 | 12/01/29 | 1,841,660 |
| | | | | ----- |
| | | | | 13,333,225 |
| | | | | ----- |

See Notes to Financial Statements

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YOUR TRUST'S INVESTMENTS

October 31, 2003

| PAR AMOUNT (000) | DESCRIPTION | COUPON | MATURITY | MARKET VALUE |
|------------------------|------------------------------------------------------------------------------------------|--------|----------|-----------------|
| | KENTUCKY 1.8% | | | |
| \$3,000 | Kentucky St Ppty & Bldg Commn Proj No 79 (MBIA Insd)..... | 5.125% | 10/01/19 | \$ 3,184,800 |
| | | | | ----- |
| | LOUISIANA 7.9% | | | |
| 2,500 | Louisiana Loc Govt Envir Fac Pkg Fac Corp Garage Proj Ser A (AMBAC Insd)..... | 5.375 | 10/01/31 | 2,604,500 |
| 6,000 | New Orleans, LA Rfdg (MBIA Insd)..... | 5.125 | 09/01/21 | 6,251,820 |
| 2,000 | New Orleans, LA Rfdg (FGIC Insd)..... | 5.500 | 12/01/21 | 2,233,700 |
| 2,800 | Saint Charles Parish, LA Solid Waste Disp Rev LA Pwr & Lt Co Proj (FSA Insd) (a)..... | 7.050 | 04/01/22 | 2,813,664 |

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| | | | | |
|-------|---------------------------------------------------------------------------------------------------|-------|----------|------------------------------|
| | | | | ----- 13,903,684 ----- |
| | MASSACHUSETTS 6.7% | | | |
| 2,000 | Massachusetts Muni Whsl Elec Co Proj No 6-A (MBIA Insd)..... | 5.250 | 07/01/16 | 2,160,200 |
| 5,000 | Massachusetts St Cons Ln Ser E (Prerefunded @ 01/01/13) (FSA Insd)..... | 5.250 | 01/01/20 | 5,550,350 |
| 1,000 | Massachusetts St Hlth & Ed Fac Auth Rev Saint Mem Med Ctr Ser A..... | 6.000 | 10/01/23 | 899,690 |
| 3,065 | Massachusetts St Hsg Fin Agy Hsg Rev Insd Rental Ser A Rfdg (AMBAC Insd)..... | 6.600 | 07/01/14 | 3,154,774 |
| | | | | ----- 11,765,014 ----- |
| | MICHIGAN 5.3% | | | |
| 3,000 | Detroit, MI City Sch Dist Sch Bldg & Site Impt Ser A (FGIC Insd)..... | 5.375 | 05/01/24 | 3,166,680 |
| 1,000 | Hillsdale, MI Hosp Fin Auth Hosp Rev Hillsdale Cmnty Hlth Ctr..... | 5.250 | 05/15/26 | 852,620 |
| 1,295 | Macomb Cnty, MI Hosp Fin Auth Hosp Rev Mt Clemens Gen Hosp Ser B..... | 5.875 | 11/15/34 | 1,232,154 |
| 1,485 | Michigan St Hsg Dev Auth Multi-Family Rev Adj Ltd Oblig Hsg Orion Four Ser A (Var Rate Cpn)... | 6.250 | 08/01/39 | 1,519,155 |
| 1,500 | Michigan St Hsg Dev Auth Multi-Family Rev Ltd Oblig Ser A Rfdg (GNMA Collateralized)..... | 6.600 | 04/01/30 | 1,554,030 |
| 1,000 | Michigan St Strategic Fd Ltd Oblig Rev Detroit Edison Poll Ctl Ser B Rfdg..... | 5.650 | 09/01/29 | 1,013,480 |
| | | | | ----- 9,338,119 ----- |
| | MISSISSIPPI 4.9% | | | |
| 2,000 | Mississippi Business Fin Corp MS Pollutn Ctl Rev Sys Energy Res Inc Proj Rfdg..... | 5.900 | 05/01/22 | 2,000,000 |
| 2,000 | Mississippi Dev Bk Spl Oblig Cap Proj & Equip Acquisition Ser A2 (AMBAC Insd)..... | 5.000 | 07/01/24 | 2,040,060 |
| 1,550 | Mississippi Dev Bk Spl Oblig Madison Cnty Hosp Proj (Prerefunded @ 07/01/09)..... | 6.400 | 07/01/29 | 1,871,020 |
| 2,595 | Mississippi Dev Bk Spl Oblig MS Ltd Oblig Hosp Impts (MBIA Insd)..... | 5.250 | 07/01/32 | 2,662,081 |
| | | | | ----- 8,573,161 ----- |

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See Notes to Financial Statements

YOUR TRUST'S INVESTMENTS

October 31, 2003

| PAR AMOUNT (000) | DESCRIPTION | COUPON | MATURITY | MARKET VALUE |
|------------------------|----------------------------------------------------------------------------------------|--------|----------|-----------------|
| | MISSOURI 7.0% | | | |
| \$2,000 | Cape Girardeau Cnty, MO Incl Dev Auth Hlthcare Fac Rev Southeast MO Hosp Assoc..... | 5.625% | 06/01/27 | \$ 2,024,320 |
| 1,500 | Saint Louis Cnty, MO Mtg Rev Ctf Rcpt Ser H | | | |

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| | | | | |
|-------|--------------------------------------------------|-------|----------|------------|
| | (Escrowed to Maturity)..... | 5.400 | 07/01/18 | 1,654,755 |
| 5,855 | St Louis, MO Arpt Rev Arpt Dev Pgm Ser A (MBIA | | | |
| | Insd)..... | 5.250 | 07/01/31 | 6,009,104 |
| 2,380 | St Louis, MO Arpt Rev Cap Impt Pgm Ser A (MBIA | | | |
| | Insd)..... | 5.375 | 07/01/19 | 2,551,765 |
| | | | | ----- |
| | | | | 12,239,944 |
| | | | | ----- |
| | NEBRASKA 2.5% | | | |
| 4,260 | University NE Univ Rev Lincoln Student Fees & | | | |
| | Fac Ser B (b)..... | 5.000 | 07/01/23 | 4,339,151 |
| | | | | ----- |
| | NEVADA 2.1% | | | |
| 3,500 | Clark Cnty, NV Arpt Rev Sub Lien Ser B (FGIC | | | |
| | Insd)..... | 5.250 | 07/01/34 | 3,579,730 |
| | | | | ----- |
| | NEW JERSEY 4.5% | | | |
| 1,000 | New Jersey Hlthcare Fac Fin Auth Rev Gen Hosp | | | |
| | Ctr at Passaic (Escrowed to Maturity) (FSA | | | |
| | Insd)..... | 6.000 | 07/01/06 | 1,093,770 |
| 4,000 | Salem Cnty, NJ Incl Pollutn Ctl Fin Auth Rev | | | |
| | Pollutn Ctl Pub Svc Elec & Gas Ser A (MBIA | | | |
| | Insd)..... | 5.450 | 02/01/32 | 4,055,520 |
| 2,500 | Secaucus, NJ Muni Util Auth Swr Rev Ser A | | | |
| | Rfdg..... | 6.000 | 12/01/08 | 2,675,975 |
| | | | | ----- |
| | | | | 7,825,265 |
| | | | | ----- |
| | NEW YORK 13.1% | | | |
| 4,000 | New York City Hlth & Hosp Corp Rev Hlth Sys Ser | | | |
| | A (AMBAC Insd)..... | 5.000 | 02/15/11 | 4,401,520 |
| 2,500 | New York City Ser A..... | 7.000 | 08/01/04 | 2,605,675 |
| 1,870 | New York City Ser A1..... | 6.375 | 08/01/10 | 2,029,960 |
| 3,130 | New York City Ser A1 (Prerefunded @ 08/01/05)... | 6.375 | 08/01/10 | 3,439,964 |
| 2,000 | New York City Ser B1 (Prerefunded @ 08/15/04) | | | |
| | (MBIA Insd)..... | 6.950 | 08/15/12 | 2,113,380 |
| 1,000 | New York St Dorm Auth Rev City Univ Third Gen | | | |
| | Res Ser 2 (Prerefunded @ 07/01/04) (MBIA | | | |
| | Insd)..... | 6.250 | 07/01/19 | 1,034,880 |
| 1,520 | New York St Dorm Auth Rev Insd John T Mather Mem | | | |
| | Hosp (Connie Lee Insd)..... | 6.500 | 07/01/09 | 1,803,541 |
| 500 | New York St Energy Res & Dev Auth St Service | | | |
| | Contract Rev Ser B..... | 5.500 | 04/01/05 | 527,165 |
| 2,000 | New York St Urban Dev Corp Rev Correctional Fac | | | |
| | Ser A Rfdg (Prerefunded @ 01/01/04)..... | 5.500 | 01/01/16 | 2,055,000 |
| 3,000 | New York St Urban Dev Corp Rev Personal Income | | | |
| | Tax Ser C-1..... | 5.000 | 03/15/33 | 3,009,840 |
| | | | | ----- |
| | | | | 23,020,925 |
| | | | | ----- |
| | OHIO 2.5% | | | |
| 1,000 | Cuyahoga Cnty, OH Hosp Fac Rev Canton Inc | | | |
| | Proj..... | 7.500 | 01/01/30 | 1,103,390 |
| 1,000 | Franklin Cnty, OH Hosp Rev Holy Cross Hlth Sys | | | |
| | Ser B Rfdg (MBIA Insd)..... | 5.250 | 06/01/08 | 1,043,200 |

See Notes to Financial Statements

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YOUR TRUST'S INVESTMENTS

October 31, 2003

| PAR AMOUNT (000) | DESCRIPTION | COUPON | MATURITY | MARKET VALUE |
|------------------------|----------------------------------------------------------------------------------------------------------------|--------|----------|-----------------------------|
| | OHIO (CONTINUED) | | | |
| \$1,040 | Lorain Cnty, OH Hosp Rev EMH Regl Med Ctr Rfdg (AMBAC Insd)..... | 7.750% | 11/01/13 | \$ 1,183,915 |
| 950 | Strongsville, OH (Prerefunded @ 12/01/06)..... | 6.700 | 12/01/11 | 1,112,792 |
| | | | | ----- 4,443,297 ----- |
| | OKLAHOMA 2.6% | | | |
| 1,000 | Tulsa Cnty, OK Pub Fac Auth Cap Impt Rev (AMBAC Insd)..... | 6.250 | 11/01/22 | 1,153,370 |
| 2,960 | Tulsa, OK Indl Auth Hosp Rev Hillcrest Med Ctr Proj Rfdg (Escrowed to Maturity) (Connie Lee Insd)..... | 6.250 | 06/01/07 | 3,388,223 |
| | | | | ----- 4,541,593 ----- |
| | OREGON 2.9% | | | |
| 1,320 | Oregon St Vets Welfare Ser 76A..... | 6.050 | 10/01/28 | 1,368,972 |
| 3,580 | Yamhill Cnty, OR Sch Dist No 029J Newburg (MBIA Insd)..... | 5.250 | 06/15/21 | 3,784,346 |
| | | | | ----- 5,153,318 ----- |
| | PENNSYLVANIA 3.8% | | | |
| 4,680 | Erie, PA Sch Dist Cap Apprec Rfdg (FSA Insd).... | * | 09/01/20 | 2,038,000 |
| 1,500 | Pennsylvania Econ Dev Fin Auth Res Recovery Rev Colver Proj Ser D..... | 7.050 | 12/01/10 | 1,549,905 |
| 1,650 | Pennsylvania Hsg Fin Agy Single Family Ser 56A (FHA/VA Gtd)..... | 6.150 | 10/01/27 | 1,717,254 |
| 1,315 | State Pub Sch Bldg Auth PA Sch Rev Burgettstown Sch Dist Ser D (Prerefunded @ 02/01/05) (MBIA Insd)..... | 6.450 | 02/01/10 | 1,401,132 |
| | | | | ----- 6,706,291 ----- |
| | SOUTH CAROLINA 4.1% | | | |
| 3,115 | Greenville, SC Impt & Rfdg (MBIA Insd)..... | 5.250 | 04/01/21 | 3,301,184 |
| 3,750 | South Carolina Jobs Econ Dev Auth Indl Rev Elec & Gas Co Proj Ser B (AMBAC Insd)..... | 5.450 | 11/01/32 | 3,862,612 |
| | | | | ----- 7,163,796 ----- |
| | SOUTH DAKOTA 0.8% | | | |
| 1,375 | Deadwood, SD Ctf Partn (ACA Insd)..... | 6.375 | 11/01/20 | 1,469,765 |
| | | | | ----- |
| | TENNESSEE 0.9% | | | |
| 1,300 | Johnson City, TN Hlth & Ed Fac Brd Hosp Rev First Mtg Ser A Rfdg (MBIA Insd)..... | 7.500 | 07/01/25 | 1,630,070 |
| | | | | ----- |
| | TEXAS 7.4% | | | |

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| | | | | |
|-------|--------------------------------------------------------------------------------------------------------------|-------|----------|-----------|
| 2,335 | Beaumont, TX Wtrwks & Swr Sys (FGIC Insd)..... | 6.250 | 09/01/14 | 2,722,120 |
| 2,000 | Brazos Cnty, TX Hlth Fac Dev Oblig Grp..... | 5.375 | 01/01/32 | 1,988,340 |
| 1,500 | Brazos River Auth TX Pollutn Ctl Rev Adj TXU Elec Co Proj Ser C Rfdg (Var Rate Cpn)..... | 5.750 | 05/01/36 | 1,570,410 |
| 2,000 | Harris Cnty, TX Hlth Fac Dev Corp Hosp Rev Hermann Hosp Proj (Prerefunded @ 10/01/04) (MBIA Insd)..... | 6.375 | 10/01/24 | 2,117,360 |

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See Notes to Financial Statements

YOUR TRUST'S INVESTMENTS

October 31, 2003

| PAR AMOUNT (000) | DESCRIPTION | COUPON | MATURITY | MARKET VALUE |
|------------------------|------------------------------------------------------------------------------------------------------------------|--------|----------|------------------------------|
| | TEXAS (CONTINUED) | | | |
| \$1,000 | Mesquite, TX Hlth Fac Dev Corp Retirement Fac Christian Care Ctr Ser A..... | 7.625% | 02/15/28 | \$ 1,038,570 |
| 1,500 | Metropolitan Hlth Fac Dev Corp TX Wilson N Jones Mem Hosp Proj..... | 7.250 | 01/01/31 | 1,389,345 |
| 2,000 | Texas St Wtr Fin Assistance..... | 5.500 | 08/01/35 | 2,104,320 |
| | | | | ----- 12,930,465 ----- |
| | UTAH 0.1% | | | |
| 215 | Utah St Hsg Fin Agy Single Family Mtg Sr Issue Ser B-2 (FHA/VA Gtd)..... | 6.500 | 07/01/15 | 216,481 |
| | | | | ----- |
| | VIRGINIA 4.1% | | | |
| 2,000 | Fairfax Cnty, VA Ctfs Partn..... | 5.300 | 04/15/23 | 2,060,660 |
| 1,500 | Henrico Cnty, VA Indl Dev Auth Pub Fac Lease Rev Henrico Cnty Regl Jail Proj (Prerefunded @ 08/01/05)..... | 6.500 | 08/01/10 | 1,665,915 |
| 1,380 | Richmond, VA Indl Dev Auth Govt Fac Rev Bonds (AMBAC Insd)..... | 5.000 | 07/15/14 | 1,506,049 |
| 1,715 | Richmond, VA Indl Dev Auth Govt Fac Rev Bonds (AMBAC Insd)..... | 5.000 | 07/15/17 | 1,859,557 |
| | | | | ----- 7,092,181 ----- |
| | WASHINGTON 2.2% | | | |
| 700 | Quinault Indian Nation, WA Quinault Beach Ser A Rfdg & Impt (ACA Insd)..... | 5.800 | 12/01/15 | 741,251 |
| 3,000 | Spokane, WA Pub Fac Dist Hotel Motel and Sales Use Tax (MBIA Insd)..... | 5.250 | 09/01/33 | 3,103,140 |
| | | | | ----- 3,844,391 ----- |
| | WEST VIRGINIA 3.4% | | | |
| 500 | Harrison Cnty, WV Cnty Cmnty Solid Waste Disp Rev West PA Pwr Co Ser C (AMBAC Insd)..... | 6.750 | 08/01/24 | 530,160 |
| 3,000 | Marshall Cnty, WV Pollutn Ctl Rev OH Pwr Co Proj Ser C (MBIA Insd)..... | 6.850 | 06/01/22 | 3,114,150 |
| 2,215 | West Virginia St Wtr Dev Auth Wtr Dev Rev Ln Pgm | | | |

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| | | | | |
|-------|--------------------------------------------------|-------|----------|-----------|
| | II Ser A (Prerefunded @ 11/01/04) (FSA Insd).... | 6.750 | 11/01/33 | 2,385,156 |
| | | | | ----- |
| | | | | 6,029,466 |
| | | | | ----- |
| | WISCONSIN 1.6% | | | |
| 2,490 | Wisconsin St Hlth & Ed Fac Auth Rev Bellin Mem | | | |
| | Hosp (AMBAC Insd)..... | 6.625 | 02/15/08 | 2,834,990 |
| | | | | ----- |
| | See Notes to Financial Statements | | | 11 |

YOUR TRUST'S INVESTMENTS

October 31, 2003

| PAR AMOUNT (000) | DESCRIPTION | COUPON | MATURITY | MARKET VALUE |
|------------------------|-----------------------------------------------------------------|--------|----------|-----------------|
| | PUERTO RICO 5.6% | | | |
| \$8,000 | Puerto Rico Comwlth Hwy & Trans Auth Hwy Rev Ser | | | |
| | Y Rfdg (FSA Insd)..... | 6.250% | 07/01/21 | \$ 9,753,840 |
| | | | | ----- |
| | TOTAL LONG-TERM INVESTMENTS 160.8% | | | |
| | (Cost \$266,128,505)..... | | | 282,043,820 |
| | SHORT-TERM INVESTMENTS 2.3% | | | |
| | (Cost \$4,000,000)..... | | | 4,000,000 |
| | | | | ----- |
| | TOTAL INVESTMENTS 163.1% | | | |
| | (Cost \$270,128,505)..... | | | 286,043,820 |
| | OTHER ASSETS IN EXCESS OF LIABILITIES 2.5%..... | | | 4,362,537 |
| | PREFERRED SHARES (INCLUDING ACCRUED DISTRIBUTIONS) (65.6%)..... | | | (115,011,335) |
| | | | | ----- |
| | NET ASSETS APPLICABLE TO COMMON SHARES 100.0%..... | | | \$ 175,395,022 |
| | | | | ===== |

* Zero coupon bond

(a) All or a portion of these securities have been physically segregated in connection with open futures contracts.

(b) Security purchased on a when-issued or delayed delivery basis.

ACA--American Capital Access

AMBAC--AMBAC Indemnity Corp.

Connie Lee--Connie Lee Insurance Co.

FGIC--Financial Guaranty Insurance Co.

FHA/VA--Federal Housing Administration/Department of Veterans Affairs

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FSA--Financial Security Assurance Inc.

GNMA--Government National Mortgage Association

MBIA--Municipal Bond Investors Assurance Corp.

XLCA--XL Capital Assurance Inc.

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See Notes to Financial Statements

FINANCIAL STATEMENTS

Statement of Assets and Liabilities

October 31, 2003

ASSETS:

| | |
|---------------------------------------------|---------------|
| Total Investments (Cost \$270,128,505)..... | \$286,043,820 |
| Cash..... | 381,036 |
| Receivables: | |
| Interest..... | 4,536,468 |
| Investments Sold..... | 4,335,230 |
| Other..... | 5,396 |
| | ----- |
| Total Assets..... | 295,301,950 |
| | ----- |

LIABILITIES:

| | |
|-----------------------------------------------------------|-------------|
| Payables: | |
| Investments Purchased..... | 4,340,599 |
| Investment Advisory Fee..... | 147,529 |
| Variation Margin on Futures..... | 86,797 |
| Income Distributions--Common Shares..... | 34,839 |
| Administrative Fee..... | 12,294 |
| Affiliates..... | 9,085 |
| Trustees' Deferred Compensation and Retirement Plans..... | 184,652 |
| Accrued Expenses..... | 79,798 |
| | ----- |
| Total Liabilities..... | 4,895,593 |
| Preferred Shares (including accrued distributions)..... | 115,011,335 |
| | ----- |

NET ASSETS APPLICABLE TO COMMON SHARES..... \$175,395,022

NET ASSET VALUE PER COMMON SHARE

(\$175,395,022 divided by 11,681,272 shares outstanding)..... \$ 15.02

NET ASSETS CONSIST OF:

| | |
|------------------------------------------------------------------------------------------------------------------------------|-------------|
| Common Shares (\$.01 par value with an unlimited number of shares authorized, 11,681,272 shares issued and outstanding)..... | \$ 116,813 |
| Paid in Surplus..... | 159,178,268 |
| Net Unrealized Appreciation..... | 14,892,156 |
| Accumulated Undistributed Net Investment Income..... | 1,601,153 |
| Accumulated Net Realized Loss..... | (393,368) |
| | ----- |

NET ASSETS APPLICABLE TO COMMON SHARES..... \$175,395,022

PREFERRED SHARES (\$.01 par value, authorized 100,000,000

shares, 4,600 issued with liquidation preference of \$25,000 per share)..... \$115,000,000

NET ASSETS INCLUDING PREFERRED SHARES..... \$290,395,022

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See Notes to Financial Statements

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Statement of Operations
For the Year Ended October 31, 2003

| | |
|--------------------------------------------------------------------------------|---------------|
| INVESTMENT INCOME: | |
| Interest..... | \$15,093,167 |
| ----- | |
| EXPENSES: | |
| Investment Advisory Fee..... | 1,748,973 |
| Preferred Share Maintenance..... | 339,002 |
| Administrative Fee..... | 145,750 |
| Trustees' Fees and Related Expenses..... | 56,436 |
| Legal..... | 35,696 |
| Custody..... | 18,364 |
| Other..... | 204,921 |
| ----- | |
| Total Expenses..... | 2,549,142 |
| ----- | |
| NET INVESTMENT INCOME..... | \$12,544,025 |
| ===== | |
| REALIZED AND UNREALIZED GAIN/LOSS: | |
| Realized Gain/Loss: | |
| Investments..... | \$ 4,280,274 |
| Futures..... | (398,820) |
| ----- | |
| Net Realized Gain..... | 3,881,454 |
| ----- | |
| Unrealized Appreciation/Depreciation: | |
| Beginning of the Period..... | 18,554,996 |
| End of the Period: | |
| Investments..... | 15,915,315 |
| Futures..... | (1,023,159) |
| ----- | |
| | 14,892,156 |
| ----- | |
| Net Unrealized Depreciation During the Period..... | (3,662,840) |
| ----- | |
| NET REALIZED AND UNREALIZED GAIN..... | \$ 218,614 |
| ===== | |
| DISTRIBUTIONS TO PREFERRED SHAREHOLDERS..... | \$(1,144,837) |
| ===== | |
| NET INCREASE IN NET ASSETS APPLICABLE TO COMMON SHARES FROM OPERATIONS..... | \$11,617,802 |
| ===== | |

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See Notes to Financial Statements

Statements of Changes in Net Assets

| | |
|------------------|------------------|
| YEAR ENDED | YEAR ENDED |
| OCTOBER 31, 2003 | OCTOBER 31, 2002 |

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FROM INVESTMENT ACTIVITIES:

Operations:

| | | |
|--------------------------------------------------------------------------|---------------|---------------|
| Net Investment Income..... | \$ 12,544,025 | \$ 12,773,766 |
| Net Realized Gain..... | 3,881,454 | 2,378,157 |
| Net Unrealized Depreciation During the Period..... | (3,662,840) | (1,686,633) |
| Distributions to Preferred Shareholders: | | |
| Net Investment Income..... | (1,144,837) | (1,548,593) |
| Change in Net Assets Applicable to Common Shares from Operations..... | 11,617,802 | 11,916,697 |
| Distributions to Common Shareholders: | | |
| Net Investment Income..... | (11,534,733) | (10,775,468) |

NET CHANGE IN NET ASSETS APPLICABLE TO COMMON SHARES FROM INVESTMENT ACTIVITIES.....

83,069 1,141,229

NET ASSETS APPLICABLE TO COMMON SHARES:

| | | |
|---------------------------------------------------------------------------------------------------------------------------------|---------------|---------------|
| Beginning of the Period..... | 175,311,953 | 174,170,724 |
| End of the Period (Including accumulated undistributed net investment income of \$1,601,153 and \$1,757,707, respectively)..... | \$175,395,022 | \$175,311,953 |

See Notes to Financial Statements

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Financial Highlights

THE FOLLOWING SCHEDULE PRESENTS FINANCIAL HIGHLIGHTS FOR ONE COMMON SHARE OF THE TRUST OUTSTANDING THROUGHOUT THE PERIODS INDICATED.

| | 2003 | 2002 (a) | 2001 |
|------------------------------------------------------------------------------|----------|----------|----------|
| NET ASSET VALUE, BEGINNING OF THE PERIOD..... | \$ 15.01 | \$ 14.91 | \$ 13.77 |
| Net Investment Income..... | 1.08 | 1.09 | 1.10 |
| Net Realized and Unrealized Gain/Loss..... | .02 | .06 | 1.11 |
| Common Share Equivalent of Distributions Paid to Preferred Shareholders: | | | |
| Net Investment Income..... | (.10) | (.13) | (.31) |
| Net Realized Gain..... | -0- | -0- | -0- |
| Total from Investment Operations..... | 1.00 | 1.02 | 1.90 |
| Distributions Paid to Common Shareholders: | | | |
| Net Investment Income..... | (.99) | (.92) | (.76) |
| Net Realized Gain..... | -0- | -0- | -0- |
| NET ASSET VALUE, END OF THE PERIOD..... | \$ 15.02 | \$ 15.01 | \$ 14.91 |
| Common Share Market Price at End of the Period..... | \$ 14.20 | \$ 13.80 | \$ 13.36 |
| Total Return (b)..... | 10.27% | 10.36% | 20.07% |
| Net Assets at End of the Period (In millions)..... | \$ 175.4 | \$ 175.3 | \$ 174.2 |
| Ratio of Expenses to Average Net Assets Applicable to Common Shares (c)..... | 1.44% | 1.55% | 1.76% |

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| | | | |
|------------------------------------------------------|-------|-------|-------|
| Ratio of Net Investment Income to Average Net Assets | | | |
| Applicable to Common Shares (c)..... | 7.11% | 7.44% | 7.66% |
| Portfolio Turnover..... | 35% | 44% | 45% |

SUPPLEMENTAL RATIOS:

| | | | |
|-----------------------------------------------------------------------------|-------|-------|-------|
| Ratio of Expenses to Average Net Assets Including Preferred Shares (c)..... | .87% | .93% | 1.04% |
| Ratio of Net Investment Income to Average Net Assets | | | |
| Applicable to Common Shares (d)..... | 6.46% | 6.54% | 5.48% |

SENIOR SECURITIES:

| | | | |
|-------------------------------------------------------------|----------|----------|----------|
| Total Preferred Shares Outstanding..... | 4,600 | 4,600 | 4,600 |
| Asset Coverage Per Preferred Share (e)..... | \$63,132 | \$63,114 | \$62,863 |
| Involuntary Liquidating Preference Per Preferred Share..... | \$25,000 | \$25,000 | \$25,000 |
| Average Market Value Per Preferred Share..... | \$25,000 | \$25,000 | \$25,000 |

(a)As required, effective November 1, 2001, the Trust has adopted the provisions of the AICPA Audit and Accounting Guide for Investment Companies and began accreting market discount on fixed income securities. The effect of this change for the period ended October 31, 2002 was to increase net investment income per share by \$.01, decrease net realized and unrealized gains and losses per share by \$.01 and increase the ratio of net investment income to average net assets applicable to common shares by .03%. Per share, ratios and supplemental data for the periods prior to October 31, 2002 have not been restated to reflect this change in presentation.

(b)Total return assumes an investment at the common share market price at the beginning of the period indicated, reinvestment of all distributions for the period in accordance with the Trust's dividend reinvestment plan, and sale of all shares at the closing common share market price at the end of the period indicated.

(c)Ratios do not reflect the effect of dividend payments to preferred shareholders.

(d)Ratios reflect the effect of dividend payments to preferred shareholders.

(e)Calculated by subtracting the Trust's total liabilities (not including the preferred shares) from the Trust's total assets and dividing this by the number of preferred shares outstanding.

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YEAR ENDED OCTOBER 31,

| 2000 | 1999 | 1998 | 1997 | 1996 | 1995 | 1994 |
|----------|----------|----------|----------|----------|----------|----------|
| \$ 13.28 | \$ 15.08 | \$ 14.51 | \$ 13.88 | \$ 13.72 | \$ 12.20 | \$ 15.58 |
| 1.13 | 1.12 | 1.12 | 1.13 | 1.14 | 1.15 | 1.11 |
| .54 | (1.82) | .57 | .60 | .12 | 1.55 | (3.28) |
| (.40) | (.32) | (.34) | (.35) | (.35) | (.38) | (.25) |
| -0- | -0- | -0- | -0- | -0- | -0- | (.01) |
| 1.27 | (1.02) | 1.35 | 1.38 | .91 | 2.32 | (2.43) |
| (.78) | (.78) | (.78) | (.75) | (.75) | (.80) | (.90) |
| -0- | -0- | -0- | -0- | -0- | -0- | .05 |

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| | | | | | | |
|-----------|-----------|-----------|-----------|-----------|-----------|-----------|
| ----- | ----- | ----- | ----- | ----- | ----- | ----- |
| \$ 13.77 | \$ 13.28 | \$ 15.08 | \$ 14.51 | \$ 13.88 | \$ 13.72 | \$ 12.20 |
| ===== | ===== | ===== | ===== | ===== | ===== | ===== |
| \$11.8125 | \$11.5625 | \$14.0625 | \$12.6875 | \$ 11.625 | \$ 11.375 | \$ 10.50 |
| 9.19% | -12.84% | 17.23% | 16.02% | 8.98% | 16.07% | -24.59% |
| \$ 160.8 | \$ 155.1 | \$ 176.1 | \$ 169.5 | \$ 162.1 | \$ 160.2 | \$ 142.5 |
| 1.85% | 1.79% | 1.79% | 1.83% | 1.90% | 1.94% | 1.82% |
| 8.44% | 7.68% | 7.54% | 8.04% | 8.31% | 8.85% | 7.95% |
| 22% | 25% | 13% | 23% | 37% | 58% | 115% |
| 1.06% | 1.06% | 1.08% | 1.08% | 1.10% | 1.10% | 1.06% |
| 5.48% | 5.50% | 5.20% | 5.56% | 5.77% | 5.88% | 6.11% |
| 4,600 | 4,600 | 2,300 | 2,300 | 2,300 | 2,300 | 2,300 |
| \$ 59,963 | \$ 58,717 | \$126,569 | \$123,694 | \$120,481 | \$119,666 | \$111,967 |
| \$ 25,000 | \$ 25,000 | \$ 50,000 | \$ 50,000 | \$ 50,000 | \$ 50,000 | \$ 50,000 |
| \$ 25,000 | \$ 25,000 | \$ 50,000 | \$ 50,000 | \$ 50,000 | \$ 50,000 | \$ 50,000 |

See Notes to Financial Statements

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NOTES TO
FINANCIAL STATEMENTS

October 31, 2003

1. SIGNIFICANT ACCOUNTING POLICIES

Van Kampen Municipal Opportunity Trust II (the "Trust") is registered as a diversified, closed-end management investment company under the Investment Company Act of 1940 (the "1940 Act"), as amended. The Trust's investment objective is to provide a high level of current income exempt from federal income tax, consistent with preservation of capital. The Trust intends to invest substantially all of its assets in municipal securities rated investment grade at the time of investment. The Trust commenced investment operations on June 25, 1993.

The following is a summary of significant accounting policies consistently followed by the Trust in the preparation of its financial statements. The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

A. SECURITY VALUATION Municipal bonds are valued by independent pricing services or dealers using the mean of the bid and asked prices or, in the absence of market quotations, at fair value based upon yield data relating to municipal bonds with similar characteristics and general market conditions. Securities which are not valued by independent pricing services or dealers are valued at fair value using procedures established in good faith by the Board of Trustees. Futures contracts are valued at the settlement price established each day on the exchange on which they are traded. Short-term securities with remaining maturities of 60 days or less are valued at amortized cost, which approximates market value.

B. SECURITY TRANSACTIONS Security transactions are recorded on a trade date basis. Realized gains and losses are determined on an identified cost basis. The Trust may purchase and sell securities on a "when-issued" or "delayed delivery"

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basis with settlement to occur at a later date. The value of the security so purchased is subject to market fluctuations during this period. The Trust will segregate assets with the custodian having an aggregate value at least equal to the amount of the when-issued or delayed delivery purchase commitments until payment is made. At October 31, 2003, the Trust had \$4,340,599 of when-issued and delayed delivery purchase commitments.

C. INVESTMENT INCOME Interest income is recorded on an accrual basis. Bond premium is amortized and discount is accreted over the expected life of each applicable security.

D. FEDERAL INCOME TAXES It is the Trust'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 income to its shareholders. Therefore, no provision for federal income taxes is required.

The Trust intends to utilize provisions of the federal income tax laws which allow it to carry a realized capital loss forward for eight years following the year of the loss and offset such losses against any future realized capital gains. At October 31, 2003, the Trust had an

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NOTES TO FINANCIAL STATEMENTS

October 31, 2003

accumulated capital loss carryforward for tax purposes of \$1,415,668, which will expire between October 31, 2004 and October 31, 2008. Of this amount, \$343,729 will expire on October 31, 2004.

At October 31, 2003 the cost and related gross unrealized appreciation and depreciation are as follows:

| | |
|-----------------------------------------------------|---------------|
| Cost of investments for tax purposes..... | \$269,895,421 |
| | ===== |
| Gross tax unrealized appreciation..... | \$ 16,709,770 |
| Gross tax unrealized depreciation..... | (561,371) |
| | ----- |
| Net tax unrealized appreciation on investments..... | \$ 16,148,399 |
| | ===== |

E. DISTRIBUTION OF INCOME AND GAINS The Trust declares and pays monthly dividends from net investment income to common shareholders. Net realized gains, if any, are distributed annually on a pro rata basis to common and preferred shareholders. Distributions from net realized gains for book purposes may include short-term capital gains and a portion of futures gains, which are included as ordinary income for tax purposes.

The tax character of distributions paid for the years ended October 31, 2003 and 2002 was as follows:

| | 2003 | 2002 |
|--------------------------|------|------|
| Distributions paid from: | | |

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| | | |
|-----------------------------|----------|-----------|
| Ordinary income..... | \$12,965 | \$117,168 |
| Long-term capital gain..... | -0- | -0- |
| | ----- | ----- |
| | \$12,965 | \$117,168 |
| | ===== | ===== |

Due to inherent differences in the recognition of income, expenses and realized gain/ losses under accounting principles generally accepted in the United States of America and federal income tax purposes, permanent differences between book and tax basis reporting have been identified and appropriately reclassified on the Statement of Assets and Liabilities. Permanent book and tax differences relating to the capital loss carryforward expiring in the current year totaling \$11,045,981 were reclassified from accumulated net realized loss to paid in surplus. Additionally, permanent book and tax differences relating to book to tax accretion differences totaling \$21,009 have been reclassified from accumulated undistributed net investment income to accumulated net realized loss.

As of October 31, 2003, the components of distributable earnings on a tax basis were as follows:

Undistributed ordinary income..... \$132,494

Net realized gains and losses may differ for financial reporting and tax purposes as a result of gains or losses recognized for tax purposes on open futures transactions on October 31, 2003 and the deferral of losses resulting from wash sales transactions.

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NOTES TO FINANCIAL STATEMENTS

October 31, 2003

2. INVESTMENT ADVISORY AGREEMENT AND OTHER TRANSACTIONS WITH AFFILIATES

Under the terms of the Trust's Investment Advisory Agreement, Van Kampen Investment Advisory Corp. (the "Adviser") will provide investment advice and facilities to the Trust for an annual fee payable monthly of .60% of the average daily net assets of the Trust. In addition, the Trust will pay a monthly administrative fee to Van Kampen Investments Inc. or its affiliates (collectively "Van Kampen"), the Trust's Administrator, at an annual rate of .05% of the average daily net assets of the Trust. The administrative services provided by the Administrator include record keeping and reporting responsibilities with respect to the Trust's portfolio and preferred shares and providing certain services to shareholders.

For the year ended October 31, 2003, the Trust recognized expenses of approximately \$19,600 representing legal services provided by Skadden, Arps, Slate, Meagher & Flom (Illinois), counsel to the Trust, of which a trustee of the Trust is an affiliated person.

Under separate Accounting Services and Legal Services agreements, the Adviser provides accounting and legal services to the Trust. The Adviser allocates the cost of such services to each trust. For the year ended October 31, 2003, the Trust recognized expenses of approximately \$37,600 representing

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Van Kampen's cost of providing accounting and legal services to the Trust, which are reported as part of "Other" and "Legal" expenses, respectively, in the Statement of Operations.

Certain officers and trustees of the Trust are also officers and directors of Van Kampen. The Trust does not compensate its officers or trustees who are officers of Van Kampen.

The Trust has implemented deferred compensation and retirement plans for its trustees who are not officers of Van Kampen. Under the deferred compensation plan, trustees may elect to defer all or a portion of their compensation to a later date. Benefits under the retirement plan are payable upon retirement for a ten-year period and are based upon each trustee's years of service to the Trust. The maximum annual benefit per trustee under the plan is \$2,500.

At October 31, 2003, Van Kampen owned 6,700 common shares of the Trust.

3. INVESTMENT TRANSACTIONS

During the period, the cost of purchases and proceeds from sales of investments, excluding short-term investments, were \$99,126,018 and \$102,510,669, respectively.

4. DERIVATIVE FINANCIAL INSTRUMENTS

A derivative financial instrument in very general terms refers to a security whose value is "derived" from the value of an underlying asset, reference rate or index.

In order to seek to manage the interest rate exposure of the Trust's portfolio in a changing interest rate environment, the Trust may purchase or sell financial futures contracts or engage in transactions involving interest rate swaps, caps, floors or collars. The Trust expects to enter into these transactions primarily as a hedge against anticipated interest rate or fixed-income market changes, for duration management or for risk management purposes, but may also enter into these transactions to generate additional income. All of the Trust's portfolio holdings, including derivative instruments, are marked to market each day with the change in value reflected in the unrealized appreciation/depreciation. Upon disposition, a

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NOTES TO FINANCIAL STATEMENTS

October 31, 2003

realized gain or loss is recognized accordingly, except when exercising a call option contract or taking delivery of a security underlying a futures contract. In this instance, the recognition of gain or loss is postponed until the disposal of the security underlying the futures contract.

During the period, the Trust invested in futures contracts, a type of derivative. A futures contract is an agreement involving the delivery of a particular asset on a specified future date at an agreed upon price. The Trust generally invests in exchange traded futures on U.S. Treasury Bonds and Notes and typically closes the contract prior to delivery date. These contracts are generally used to manage the Trust's effective maturity and duration. Upon entering into futures contracts, the Trust maintains an amount of cash or liquid securities with a value equal to a percentage of the contract amount with either a future commission merchant pursuant to rules and regulations promulgated under

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the 1940 Act, as amended, or with its custodian in an account in the broker's name. This amount is known as initial margin. During the period the futures contract is open, payments are received from or made to the broker based upon changes in the value of the contract (the variation margin). The risk of loss associated with a futures contract is in excess of the variation margin reflected on the Statement of Assets and Liabilities.

Transactions in futures contracts for the year ended October 31, 2003, were as follows:

| | CONTRACTS |
|--------------------------------------|-----------|
| Outstanding at October 31, 2002..... | 313 |
| Futures Opened..... | 1,946 |
| Futures Closed..... | (1,836) |
| | ----- |
| Outstanding at October 31, 2003..... | 423 |
| | ===== |

The futures contracts outstanding as of October 31, 2003 and the descriptions and unrealized appreciation/depreciation are as follows:

| | CONTRACTS | UNREALIZED DEPRECIATION |
|-----------------------------------------------------------------------|-----------|----------------------------|
| Short Contracts: | | |
| U.S. Treasury Notes 10-Year Futures | | |
| December 2003 (Current Notional Value of \$112,297 per contract)..... | 82 | (273,254) |
| U.S. Treasury Notes 5-Year Futures | | |
| December 2003 (Current Notional Value of \$111,813 per contract)..... | 341 | (749,905) |
| | --- | ----- |
| | 423 | \$(1,023,159) |
| | === | ===== |

5. PREFERRED SHARES

As of October 31, 2003, the Trust has outstanding 4,600 Auction Preferred Shares ("APS") in three series. Series A and B each contain 1,600 shares while Series C contains 1,400 shares. Dividends are cumulative and the dividend rates are generally reset every 7 days through an auction process. The average rate in effect on October 31, 2003 was .885%. During the year ended October 31, 2003, the rates ranged from .500% to 1.800%.

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NOTES TO FINANCIAL STATEMENTS

October 31, 2003

The Trust pays annual fees equivalent to .25% of the preferred share liquidation value for the remarketing efforts associated with the preferred auctions. These fees are included as a component of "Preferred Share

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Maintenance" expense in the Statement of Operations.

The APS are redeemable at the option of the Trust in whole or in part at the liquidation value of \$25,000 per share plus accumulated and unpaid dividends. The Trust is subject to certain asset coverage tests and the APS are subject to mandatory redemption if the tests are not met.

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REPORT OF INDEPENDENT AUDITORS

To the Board of Trustees and Shareholders of Van Kampen Municipal Opportunity Trust II

We have audited the accompanying statement of assets and liabilities of Van Kampen Municipal Opportunity Trust II (the "Trust"), including the portfolio of investments, as of October 31, 2003, the related statement of operations for the year then ended, the statements of changes in net assets for each of the two years in the period then ended, and the financial highlights for each of the four years in the period then ended. These financial statements and financial highlights are the responsibility of the Trust's management. Our responsibility is to express an opinion on these financial statements and financial highlights based on our audits. The Trust's financial highlights for the periods ended prior to October 31, 2000, were audited by other auditors whose report, dated December 6, 1999, expressed an unqualified opinion on those financial highlights.

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 October 31, 2003, by correspondence with the Trust's custodian and brokers. 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 Van Kampen Municipal Opportunity Trust II as of October 31, 2003, the results of its operations, the changes in its net assets and the financial highlights for the respective stated periods, in conformity with accounting principles generally accepted in the United States of America.

DELOITTE & TOUCHE LLP
Chicago, Illinois
December 8, 2003

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DIVIDEND REINVESTMENT PLAN

The Trust offers a dividend reinvestment plan (the "Plan") pursuant to which Common Shareholders may elect to have dividends and capital gains distributions reinvested in Common Shares of the Trust. The Trust declares dividends out of net investment income, and will distribute annually net realized capital gains, if any. Common Shareholders may join or withdraw from the Plan at any time.

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If you decide to participate in the Plan, State Street Bank and Trust Company, as your Plan Agent, will automatically invest your dividends and capital gains distributions in Common Shares of the Trust for your account.

HOW TO PARTICIPATE

If you wish to participate and your shares are held in your own name, call 1-800-341-2929 for more information and a Plan brochure. If your shares are held in the name of a brokerage firm, bank, or other nominee, you should contact your nominee to see if it would participate in the Plan on your behalf. If you wish to participate in the Plan, but your brokerage firm, bank or nominee is unable to participate on your behalf, you should request that your shares be re-registered in your own name which will enable your participation in the Plan.

HOW THE PLAN WORKS

Participants in the Plan will receive the equivalent in Common Shares valued on the valuation date, generally at the lower of market price or net asset value, except as specified below. The valuation date will be the dividend or distribution payment date or, if that date is not a trading day on the national securities exchange or market system on which the Common Shares are listed for trading, the next preceding trading day. If the market price per Common Share on the valuation date equals or exceeds net asset value per Common Share on that date, the Trust will issue new Common Shares to participants valued at the higher of net asset value or 95% of the market price on the valuation date. In the foregoing situation, the Trust will not issue Common Shares under the Plan below net asset value. If net asset value per Common Share on the valuation date exceeds the market price per Common Share on that date, or if the Board of Trustees should declare a dividend or capital gains distribution payable to the Common Shareholders only in cash, participants in the Plan will be deemed to have elected to receive Common Shares from the Trust valued at the market price on that date. Accordingly, in this circumstance, the Plan Agent will, as agent for the participants, buy the Trust's Common Shares in the open market for the participants' accounts on or shortly after the payment date. If, before the Plan Agent has completed its purchases, the market price exceeds the net asset value per share of the Common Shares, the average per share purchase price paid by the Plan Agent may exceed the net asset value of the Trust's Common Shares, resulting in the acquisition of fewer Common

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Shares than if the dividend or distribution had been paid in Common Shares issued by the Trust. All reinvestments are in full and fractional Common Shares and are carried to three decimal places.

Experience under the Plan may indicate that changes are desirable. Accordingly, the Trust reserves the right to amend or terminate the Plan as applied to any dividend or distribution paid subsequent to written notice of the changes sent to all Common Shareholders of the Trust at least 90 days before the record date for the dividend or distribution. The Plan also may be amended or terminated by the Plan Agent by at least 90 days written notice to all Common Shareholders of the Trust.

COSTS OF THE PLAN

The Plan Agent's fees for the handling of the reinvestment of dividends and distributions will be paid by the Trust. However, each participant will pay a pro rata share of brokerage commissions incurred with respect to the Plan Agent's open market purchases in connection with the reinvestment of dividends and distributions. No other charges will be made to participants for reinvesting dividends or capital gains distributions, except for certain brokerage

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commissions, as described above.

TAX IMPLICATIONS

You will receive tax information annually for your personal records and to help you prepare your federal income tax return. The automatic reinvestment of dividends and capital gains distributions does not relieve you of any income tax which may be payable on dividends or distributions.

RIGHT TO WITHDRAW

Plan participants may withdraw at any time by calling 1-800-341-2929 or by writing State Street Bank and Trust Company, P.O. Box 8200, Boston, MA 02266-8200. If you withdraw, you will receive, without charge, a share certificate issued in your name for all full Common Shares credited to your account under the Plan and a cash payment will be made for any fractional Common Share credited to your account under the Plan. You may again elect to participate in the Plan at any time by calling 1-800-341-2929 or writing to the Trust at:

Van Kampen Funds Inc.
Attn: Closed-End Funds
2800 Post Oak Blvd.
Houston, TX 77056

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BOARD OF DIRECTORS AND IMPORTANT ADDRESSES VAN KAMPEN MUNICIPAL OPPORTUNITY TRUST II

BOARD OF TRUSTEES

DAVID C. ARCH
J. MILES BRANAGAN
JERRY D. CHOATE
ROD DAMMEYER
LINDA HUTTON HEAGY
R. CRAIG KENNEDY
HOWARD J KERR
THEODORE A. MYERS
MITCHELL M. MERIN*
JACK E. NELSON
RICHARD F. POWERS, III*
HUGO F. SONNENSCHNEIN
WAYNE W. WHALEN* - Chairman
SUZANNE H. WOOLSEY

INVESTMENT ADVISER

VAN KAMPEN INVESTMENT ADVISORY CROP.
1 Parkview Plaza
P.O. Box 5555
Oakbrook Terrace, Illinois 60181-5555

DISTRIBUTOR

VAN KAMPEN FUNDS INC.
1 Parkview Plaza
P.O. Box 5555
Oakbrook Terrace, Illinois 60181-5555

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CUSTODIAN AND TRANSFER AGENT

STATE STREET BANK
 AND TRUST COMPANY
 c/o EquiServe
 P.O. Box 43011
 Providence, Rhode Island 02940-3011

LEGAL COUNSEL

SKADDEN, ARPS, SLATE
 MEAGHER & FLOM (ILLINOIS)
 333 West Wacker Drive
 Chicago, Illinois 60606

INDEPENDENT AUDITORS

DELOITTE & TOUCHE LLP
 180 North Stetson Avenue
 Chicago, Illinois 60601

For federal income tax purposes, the following information is furnished with respect to the distributions paid by the Trust during its taxable year ended October 31, 2003. The Trust designated 99.9% of the income distributions as a tax-exempt income distribution. In January, the Trust provides tax information to shareholders for the preceding calendar year.

* "Interested persons" of the Fund, as defined in the Investment Company Act of 1940, as amended.
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RESULTS OF
 SHAREHOLDER VOTES

The Annual Meeting of Shareholders of the Trust was held on June 24, 2003, where shareholders voted on the election of trustees.

With regard to the election of the following trustees by common shareholders of the Trust:

| | # OF SHARES | |
|-------------------------|-------------|----------|
| | IN FAVOR | WITHHELD |
| David C. Arch..... | 10,162,757 | 104,547 |
| Jerry D. Choate..... | 10,158,525 | 108,779 |
| Linda Hutton Heagy..... | 10,164,316 | 102,988 |
| R. Craig Kennedy..... | 10,164,820 | 102,484 |
| Howard J Kerr..... | 10,154,957 | 112,347 |
| Suzanne H. Woolsey..... | 10,164,909 | 102,395 |

The other trustees of the Trust whose terms did not expire in 2003 are Rod Dammeyer, Theodore A. Myers, Richard F. Powers, III, Hugo F. Sonnenschein and Wayne W. Whalen.

With regard to the vote for the amendment to the Declaration of Trust by the common shareholders of the Trust, 9,886,400 shares voted in favor of the

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proposal, 236,144 shares voted against and 144,760 shares abstained.

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TRUSTEES AND OFFICERS

The business and affairs of the Trust are managed under the direction of the Trust's Board of Trustees and the Trust's officers appointed by the Board of Trustees. The tables below list the trustees and executive officers of the Trust and their principal occupations during the last five years, other directorships held by trustees and their affiliations, if any, with Van Kampen Investments Inc. ("Van Kampen Investments"), Van Kampen Investment Advisory Corp. ("Advisory Corp."), Van Kampen Asset Management Inc. ("Asset Management"), Van Kampen Funds Inc. (the "Distributor"), Van Kampen Advisors Inc., Van Kampen Exchange Corp. and Van Kampen Investor Services Inc. ("Investor Services"). Advisory Corp. and Asset Management sometimes are referred to herein collectively as the "Advisers." The term "Fund Complex" includes each of the investment companies advised by the Advisers or their affiliates as of the date of this Statement of Additional Information. Trustees serve until reaching their retirement age or until their successors are duly elected and qualified. Officers are annually elected by the trustees.

INDEPENDENT TRUSTEES

| NAME, AGE AND ADDRESS OF INDEPENDENT TRUSTEE | POSITION(S) HELD WITH TRUST | TERM OF OFFICE AND LENGTH OF TIME SERVED | PRINCIPAL OCCUPATION(S) DURING PAST 5 YEARS | NUMBER OF FUNDS IN FUND COMPLEX OVERSEEN BY TRUSTEE | OT HE |
|-------------------------------------------------------------------------------|-----------------------------------|------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------|----------------|
| David C. Arch (58) Blistex Inc. 1800 Swift Drive Oak Brook, IL 60523 | Trustee | Trustee since 1993 | Chairman and Chief Executive Officer of Blistex Inc., a consumer health care products manufacturer. Former Director of the World Presidents Organization-Chicago Chapter. Director of the Heartland Alliance, a nonprofit organization serving human needs based in Chicago. | 90 | Tr Ge in |
| J. Miles Branagan (71) 1632 Morning Mountain Road Raleigh, NC 27614 | Trustee | Trustee since 2003 | Private investor. Co-founder, and prior to August 1996, Chairman, Chief Executive Officer and President, MDT Corporation (now known as Getinge/Castle, Inc., a subsidiary of Getinge Industri AB), a company which develops, manufactures, markets and services medical and scientific equipment. | 88 | Tr Ge in |

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| NAME, AGE AND ADDRESS OF INDEPENDENT TRUSTEE | POSITION(S) HELD WITH TRUST | TERM OF OFFICE AND LENGTH OF TIME SERVED | PRINCIPAL OCCUPATION(S) DURING PAST 5 YEARS | NUMBER OF FUNDS IN FUND COMPLEX OVERSEEN BY TRUSTEE | OT HE |
|-------------------------------------------------------------------------------------------------------|-----------------------------------|------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Jerry D. Choate (65) 33971 Selva Road Suite 130 Dana Point, CA 92629 | Trustee | Trustee since 2003 | Prior to January 1999, Chairman and Chief Executive Officer of the Allstate Corporation ("Allstate") and Allstate Insurance Company. Prior to January 1995, President and Chief Executive Officer of Allstate. Prior to August 1994, various management positions at Allstate. | 88 | Tr Ge in Di bi an En in co |
| Rod Dammeyer (63) CAC, llc. 4350 LaJolla Village Drive Suite 980 San Diego, CA 92122-6223 | Trustee | Trustee since 1993 | President of CAC, llc., a private company offering capital investment and management advisory services. Prior to July 2000, Managing Partner of Equity Group Corporate Investment (EGI), a company that makes private investments in other companies. | 90 | Tr Ge in Di Ho St Th Co In Un Ho Sy 20 Pe Pr Vi Di In IM Ju Al Co Ma Tr In an (G 19 Ma |

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| NAME, AGE AND ADDRESS OF INDEPENDENT TRUSTEE | POSITION(S) HELD WITH TRUST | TERM OF OFFICE AND LENGTH OF TIME SERVED | PRINCIPAL OCCUPATION(S) DURING PAST 5 YEARS | NUMBER OF FUNDS IN FUND COMPLEX OVERSEEN BY TRUSTEE | OT HE |
|--------------------------------------------------------------------------------------------------------------|-----------------------------------|------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------|----------------|
| Linda Hutton Heagy (55) Heidrick & Struggles 233 South Wacker Drive Suite 7000 Chicago, IL 60606 | Trustee | Trustee since 2003 | Managing Partner of Heidrick & Struggles, an executive search firm. Trustee on the University of Chicago Hospitals Board, Vice Chair of the Board of the YMCA of Metropolitan Chicago and a member of the Women's Board of the University of Chicago. Prior to 1997, Partner of Ray & Berndtson, Inc., an executive recruiting firm. Prior to 1996, Trustee of The International House Board, a fellowship and housing organization for international graduate students. Prior to 1995, Executive Vice President of ABN AMRO, N.A., a bank holding company. Prior to 1992, Executive Vice President of La Salle National Bank. | 88 | Tr Ge in |
| R. Craig Kennedy (51) 11 DuPont Circle, N.W. Washington, D.C. 20016 | Trustee | Trustee since 2003 | Director and President of the German Marshall Fund of the United States, an independent U.S. foundation created to deepen understanding, promote collaboration and stimulate exchanges of practical experience between Americans and Europeans. Formerly, advisor to the Dennis Trading Group Inc., a managed futures and option company that invests money for individuals and institutions. Prior to 1992, President and Chief Executive Officer, Director and member of the Investment Committee of the Joyce Foundation, a private foundation. | 88 | Tr Ge in |

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| | | | | | |
|-----------------------------------------------------------------------------------------|---------|-----------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----|----------------------------|
| Howard J Kerr (68) 736 North Western Avenue P.O. Box 317 Lake Forest, IL 60045 | Trustee | Trustee since 1993 | Prior to 1998, President and Chief Executive Officer of Pocklington Corporation, Inc., an investment holding company. Director of the Marrow Foundation. | 90 | Tr Ge in Di Fo |
|-----------------------------------------------------------------------------------------|---------|-----------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----|----------------------------|

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| NAME, AGE AND ADDRESS OF INDEPENDENT TRUSTEE | POSITION(S) HELD WITH TRUST | TERM OF OFFICE AND LENGTH OF TIME SERVED | PRINCIPAL OCCUPATION(S) DURING PAST 5 YEARS | NUMBER OF FUNDS IN FUND COMPLEX OVERSEEN BY TRUSTEE | OT HE |
|------------------------------------------------------------------------|-----------------------------------|------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------|----------------------------------|
| Theodore A. Myers (73) 550 Washington Avenue Glencoe, IL 60022 | Trustee | Trustee since 1993 | Financial consultant, Trustee or Managing General Partner of other funds in the Closed-End Fund Complex. Prior to 1998, Senior Financial Advisor (and, prior to 1997, an Executive Vice President, Chief Financial Officer and Director) of Qualitech Steel Corporation, a producer of high quality engineered steels for automotive, transportation and capital goods industries. Prior to 1997, member of the Arthur Andersen Chief Financial Officers' Advisory Committee. | 36 | Di In as In 19 St |
| Jack E. Nelson (67) 423 Country Club Drive Winter Park, FL 32789 | Trustee | Trustee since 2003 | President of Nelson Investment Planning Services, Inc., a financial planning company and registered investment adviser in the State of Florida. President of Nelson Invest Brokerage Services Inc., a member of the NASD, Securities Investors Protection Corp. and the Municipal Securities Rulemaking Board. President of Nelson Sales and Services Corporation, a marketing and services company to support | 88 | Tr Ge in |

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affiliated companies.

| | | | | | |
|-----------------------------------------------------------------------|---------|-----------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----|----------------------------|
| Hugo F. Sonnenschein (63) 1126 E. 59th Street Chicago, IL 60637 | Trustee | Trustee since 1994 | President Emeritus and Honorary Trustee of the University of Chicago and the Adam Smith Distinguished Service Professor in the Department of Economics at the University of Chicago. Prior to July 2000, President of the University of Chicago. Trustee of the University of Rochester and a member of its investment committee. Member of the National Academy of Sciences, the American Philosophical Society and a fellow of the American Academy of Arts and Sciences. | 90 | Tr Ge in Di La |
|-----------------------------------------------------------------------|---------|-----------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----|----------------------------|

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| NAME, AGE AND ADDRESS OF INDEPENDENT TRUSTEE | POSITION(S) HELD WITH TRUST | TERM OF OFFICE AND LENGTH OF TIME SERVED | PRINCIPAL OCCUPATION(S) DURING PAST 5 YEARS | NUMBER OF FUNDS IN FUND COMPLEX OVERSEEN BY TRUSTEE | OT HE |
|-----------------------------------------------------------------------------------------------|-----------------------------------|------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------|----------------------------------------|
| Suzanne H. Woolsey (61) 2101 Constitution Ave., N.W. Room 285 Washington, D.C. 20418 | Trustee | Trustee since 2003 | Currently with Paladin Capital Group/Paladin Homeland Security Fund. Previously Chief Communications Officer of the National Academy of Sciences/National Research Council, an independent, federally chartered policy institution, since 2001 and Chief Operating Officer from 1993 to 2001. Director of the Institute for Defense Analyses, a federally funded research and development center, Director of the German Marshall Fund of the United States, and Trustee of Colorado College. Prior to 1993, Executive Director of the | 88 | Tr Ge in Di Co ph si |

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Commission on Behavioral and Social Sciences and Education at the National Academy of Sciences/National Research Council. From 1980 through 1989, Partner of Coopers & Lybrand.

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INTERESTED TRUSTEES*

| NAME, AGE AND ADDRESS OF INTERESTED TRUSTEE | POSITION(S) HELD WITH TRUST | TERM OF OFFICE AND LENGTH OF TIME SERVED | PRINCIPAL OCCUPATION(S) DURING PAST 5 YEARS | NUMBER OF FUNDS IN FUND COMPLEX OVERSEEN BY TRUSTEE | OTHER INFORMATION |
|------------------------------------------------------------------------------|------------------------------------------------------------|------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------|-------------------|
| Mitchell M. Merin* (50) 1221 Avenue of the Americas New York, NY 10020 | Trustee, President and Chief Executive Officer | Trustee since 2002 | President and Chief Executive Officer of funds in the Fund Complex. Chairman, President, Chief Executive Officer and Director of the Advisers and VK Advisors Inc. since December 2002. Chairman, President and Chief Executive Officer of Van Kampen Investments since December 2002. Director of Van Kampen Investments since December 1999. Chairman and Director of Van Kampen Funds Inc. since December 2002. President, Director and Chief Operating Officer of Morgan Stanley Investment Management since December 1998. President and Director since April 1997 and Chief Executive Officer since June 1998 of Morgan Stanley Investment Advisors Inc. and Morgan Stanley Services Company Inc. Chairman, Chief Executive Officer and Director of Morgan Stanley Distributors Inc. since June 1998. Chairman since June 1998, and Director | 88 | Tr Ge in |

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since January 1998 of Morgan Stanley Trust. Director of various Morgan Stanley subsidiaries. President of the Morgan Stanley Funds since May 1999. Previously Chief Executive Officer of Van Kampen Funds Inc. from December 2002 to July 2003, Chief Strategic Officer of Morgan Stanley Investment Advisors Inc. and Morgan Stanley Services Company Inc. and Executive Vice President of Morgan Stanley Distributors Inc. from April 1997 to June 1998. Chief Executive Officer from September 2002 to April 2003 and Vice President from May 1997 to April 1999 of the Morgan Stanley Funds.

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| NAME, AGE AND ADDRESS OF INTERESTED TRUSTEE | POSITION(S) HELD WITH TRUST | TERM OF OFFICE AND LENGTH OF TIME SERVED | PRINCIPAL OCCUPATION(S) DURING PAST 5 YEARS | NUMBER OF FUNDS IN FUND COMPLEX OVERSEEN BY TRUSTEE | OT HE |
|-------------------------------------------------------------------------------------------------|-----------------------------|------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------|----------------|
| Richard F. Powers, III* (57) 1 Parkview Plaza P.O. Box 5555 Oakbrook Terrace, IL 60181 | Trustee | Trustee since 1999 | Advisory Director of Morgan Stanley. Prior to December 2002, Chairman, Director, President, Chief Executive Officer and Managing Director of Van Kampen Investments and its investment advisory, distribution and other subsidiaries. Prior to December 2002, President and Chief Executive Officer of funds in the Fund Complex. Prior to May 1998, Executive Vice President and Director of Marketing at Morgan Stanley and Director of Dean Witter, Discover & Co. and Dean Witter | 90 | Tr Ge in |

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| | | | | | |
|---------------------------------------------------------------------|---------|-----------------------|----------------------------------------------------------------------------------------------------------------------------------------|----|----------------|
| | | | Realty. Prior to 1996, Director of Dean Witter Reynolds Inc. | | |
| Wayne W. Whalen* (64) 333 West Wacker Drive Chicago, IL 60606 | Trustee | Trustee since 1993 | Partner in the law firm of Skadden, Arps, Slate, Meagher & Flom (Illinois), legal counsel to funds in the Fund Complex. | 90 | Tr Ge in |

* Such trustee is an "interested person" (within the meaning of Section 2(a)(19) of the 1940 Act). Mr. Whalen is an interested person of certain funds in the Fund Complex by reason of his firm currently acting as legal counsel to such funds in the Fund Complex. Messrs. Merin and Powers are interested persons of funds in the Fund Complex and the Advisers by reason of their current or former positions with Morgan Stanley or its affiliates.

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OFFICERS

| NAME, AGE AND ADDRESS OF OFFICER | POSITION(S) HELD WITH TRUST | TERM OF OFFICE AND LENGTH OF TIME SERVED | PRINCIPAL OCCUPATION(S) DURING PAST 5 YEARS |
|--------------------------------------------------------------------------------|-------------------------------------------------------------|------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Stephen L. Boyd (63) 2800 Post Oak Blvd. 45th Floor Houston, TX 77056 | Vice President | Officer since 1998 | Managing Director of Global Re Vice President of funds in the December 2002, Chief Investmen Investments and President and the Advisers and Van Kampen Ad Executive Vice President and C funds in the Fund Complex. Pri Director and Chief Investment Investments, and Managing Dire Advisers and Van Kampen Adviso 2000, Executive Vice President of Van Kampen Investments, and Officer of the Advisers. Prior President and Chief Investment Investments of the Advisers. P President and Senior Portfolio Management, Inc. Prior to Febr President and Portfolio Manage Capital Asset Management, Inc. Investment Advisory Corp. and Management, Inc. |
| Stefanie V. Chang (37) 1221 Avenue of the Americas New York, NY 10020 | Vice President | Officer since 2003 | Executive Director of Morgan S Vice President of funds in the |
| Joseph J. McAlinden (60) 1221 Avenue of the Americas New York, NY 10020 | Executive Vice President and Chief Investment Officer | Officer since 2002 | Managing Director and Chief In Stanley Investment Advisors In Management Inc. and Morgan Sta Director of Morgan Stanley Tru |

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Investment Management, Office

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| NAME, AGE AND ADDRESS OF OFFICER | POSITION(S) HELD WITH TRUST | TERM OF OFFICE AND LENGTH OF TIME SERVED | PRINCIPAL OCCUPATION(S) DURING PAST 5 YEARS |
|------------------------------------------------------------------------------------------|-------------------------------------------------------|------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| John L. Sullivan (48) 1 Parkview Plaza P.O. Box 5555 Oakbrook Terrace, IL 60181 | Vice President, Chief Financial Officer and Treasurer | Officer since 1996 | Director and Managing Director of the Advisers, Van Kampen Advisors, subsidiaries of Van Kampen Investment Management. Chief Financial Officer and Treasurer of the Oakbrook Terrace Complex. Head of Fund Accounting and Investment Management. Prior to 1996, Director of Van Kampen Investment Management, Van Kampen Advisors Inc. |

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Van Kampen
Privacy Notice

The Van Kampen companies and investment products* respect your right to privacy. We also know that you expect us to conduct and process your business in an accurate and efficient manner. To do so, we must collect and maintain certain nonpublic personal information about you. This is information we collect from you on applications or other forms, and from the transactions you conduct with us, our affiliates, or third parties. We may also collect information you provide when using our Web site, and text files (also known as "cookies") may be placed on your computer to help us to recognize you and to facilitate transactions you initiate. We do not disclose any nonpublic personal information about you or any of our former customers to anyone, except as permitted by law. For instance, so that we may continue to offer you Van Kampen investment products and services that meet your investing needs, and to effect transactions that you request or authorize, we may disclose the information we collect to companies that perform services on our behalf, such as printers and mailers that assist us in the distribution of investor materials. These companies will use this information only for the services for which we hired them, and are not permitted to use or share this information for any other purpose. To protect your nonpublic personal information internally, we permit access to it only by authorized employees, and maintain physical, electronic and procedural safeguards to guard your nonpublic personal information.

* Includes Van Kampen Investments Inc., Van Kampen Investment Advisory Corp., Van Kampen Asset Management Inc., Van Kampen Advisors Inc., Van Kampen Management Inc., Van Kampen Funds Inc., Van Kampen Investor Services Inc., Van Kampen System Inc. and Van Kampen Exchange Corp., as well as the many Van Kampen mutual funds and Van Kampen unit investment trusts.

Van Kampen Funds Inc.
1 Parkview Plaza, P.O. Box 5555
Oakbrook Terrace, IL 60181-5555

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www.vankampen.com

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12539L03-AS-12/03

Item 2. Code of Ethics.

(a) The Trust has adopted a code of ethics (the "Code of Ethics") that applies to its principal executive officer, principal financial officer, principal accounting officer or controller, or persons performing similar functions, regardless of whether these individuals are employed by the Trust or a third party.

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

(c) Not applicable

(d) Not applicable

(e) Not applicable.

(f)

(1) The Trust's Code of Ethics is attached hereto as Exhibit 10A.

(2) Not applicable.

(3) Not applicable.

Item 3. Audit Committee Financial Expert.

The Trust's Board of Trustees has determined that it has four "audit committee financial experts" serving on its audit committee, each of whom are "independent" Trustees : J. Miles Branagan, Jerry Choate, R. Craig Kennedy and Theodore A. Myers. Under applicable securities laws, a person who is determined to be an audit committee financial expert will not be deemed an "expert" for any purpose, including without limitation for the purposes of Section 11 of the Securities Act of 1933, as a result of being designated or identified as an audit committee financial expert. The designation or identification of a person as an audit committee financial expert does not impose on such person any duties, obligations, or liabilities that are greater than the duties, obligations, and liabilities imposed on such person as a member of the audit committee and Board of Trustees in the absence of such designation or identification.

Item 4. Principal Accountant Fees and Services.

Applicable only for reports covering fiscal years ending on or after December 15, 2003.

Item 5. Audit Committee of Listed Registrants.

Applicable only for reports covering periods ending on or after the earlier of (i) the first annual shareholder meeting after January 15, 2004 or (ii) October 31, 2004.

Item 6. [Reserved.]

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

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

Item 8. [Reserved.]

Item 9. Controls and Procedures

(a) The Trust's principal executive officer and principal financial officer have concluded that the Trust's disclosure controls and procedures are sufficient to ensure that information required to be disclosed by the Trust 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 Trust's internal controls or in other factors that could significantly affect the Trust's internal controls subsequent to the date of their evaluation.

(b) There were no changes in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal half-year (the registrant's second fiscal half-year in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting.

Item 10. Exhibits.

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

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

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934 and the Investment Company Act of 1940, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

(Registrant) Van Kampen Municipal Opportunity Trust II

By: /s/ Ronald E. Robison

Name: Ronald E. Robison
Title: Principal Executive Officer
Date: December 18, 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.

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By: /s/ Ronald E. Robison

Name: Ronald E. Robison
Title: Principal Executive Officer
Date: December 18, 2003

By: /s/ John L. Sullivan

Name: John L. Sullivan
Title: Principal Financial Officer
Date: December 18, 2003