

LEHMAN BROTHERS FIRST TRUST INCOME OPPORTUNITY FUND
Form N-Q
May 30, 2007

As filed with the Securities and Exchange Commission on May 30, 2007

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

FORM N-Q

QUARTERLY SCHEDULE OF PORTFOLIO HOLDINGS OF
REGISTERED MANAGEMENT INVESTMENT COMPANIES

Investment Company Act file number: 811-21342

LEHMAN BROTHERS FIRST TRUST INCOME OPPORTUNITY FUND

(Exact Name of the Registrant as Specified in Charter)
399 Park Avenue
New York, New York 10022
(Address of Principal Executive Offices - Zip Code)

Registrant's telephone number, including area code: (212) 526-7000

Peter E. Sundman, Executive Vice President
Lehman Brothers First Trust Income Opportunity Fund
605 Third Avenue, 2nd Floor
New York, New York 10158-0180

Arthur Delibert, Esq.
Kirkpatrick & Lockhart Preston Gates Ellis LLP
1601 K Street, N.W.
Washington, D.C. 20006-1600
(Names and addresses of agents for service)

Date of fiscal year end: December 31, 2007

Date of reporting period: March 31, 2007

Form N-Q is to be used by management investment companies to file reports with the Commission not later than 60 days after the close of their first and third fiscal quarters, pursuant to rule 30b1-5 under the Investment Company Act of 1940 ("1940 Act") (17 CFR 270.30b1-5). The Commission may use the information provided on Form N-Q in its regulatory, disclosure review, inspection, and policymaking roles.

A registrant is required to disclose the information specified by Form N-Q, and the Commission will make this information public. A registrant is not required to respond to the collection of information contained in Form N-Q unless the Form displays a currently valid Office of Management and Budget ("OMB") control number. Please direct comments concerning the accuracy of the information collection burden estimate and any suggestions for reducing the burden to Secretary, Securities and Exchange Commission, 100 F Street, NE, Washington, DC 20549-0609. The OMB has reviewed this collection of information under the clearance requirements of 44 U.S.C. {section} 3507.

ITEM 1. SCHEDULE OF INVESTMENTS.

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LEHMAN BROTHERS FIRST TRUST INCOME OPPORTUNITY FUND

SCHEDULE OF INVESTMENTS

MARCH 31, 2007
(UNAUDITED)

| PRINCIPAL AMOUNT | DESCRIPTION | MOODY'S RATINGS (*) | S&P RATINGS (*) |
|-------------------------------|--|------------------------|--------------------|
| CORPORATE DEBT - 141.9% | | | |
| AEROSPACE/DEFENSE - 1.4% | | | |
| \$ 1,830,000 | L-3 Communications Corp., Guaranteed Senior Subordinated Notes 7.63%, due 6/15/12 | Ba3 | BB+ |
| 825,000 | L-3 Communications Corp., Guaranteed Notes, Ser. B 6.38%, due 10/15/15 | Ba3 | BB+ |
| AIRLINES - 1.2% | | | |
| 1,959,187 | Continental Airlines, Inc., Pass-Through Certificates 9.80%, due 4/1/21 | Ba1 | BB+ |
| APPAREL/TEXTILES - 0.6% | | | |
| 1,085,000 | Levi Strauss & Co., Senior Unsubordinated Notes 9.75%, due 1/15/15 | B2 | B |
| AUTO LOANS - 12.8% | | | |
| 1,610,000 | Ford Motor Credit Co., Unsecured Notes 7.38%, due 10/28/09 | B1 | B |
| 6,870,000 | Ford Motor Credit Co., Senior Unsecured Notes 9.75%, due 9/15/10 | B1 | B |
| 8,515,000 | Ford Motor Credit Co., Bonds 7.38%, due 2/1/11 | B1 | B |
| 5,755,000 | General Motors Acceptance Corp., Notes 6.88%, due 9/15/11 | Ba1 | BB+ |
| 880,000 | General Motors Acceptance Corp., Unsecured Notes 7.00%, due 2/1/12 | Ba1 | BB+ |
| AUTO PARTS & EQUIPMENT - 0.7% | | | |
| 540,000 | Goodyear Tire & Rubber Co., Senior Notes 8.63%, due 12/1/11 | B2 | B- |
| 685,000 | Goodyear Tire & Rubber Co., Senior Notes 9.00%, due 7/1/15 | B2 | B- |
| AUTOMOTIVE - 4.0% | | | |
| 4,485,000 | General Motors Corp., Senior Unsecured Debentures 8.25%, 7/15/23 | Caal | B- |
| 3,845,000 | General Motors Corp., Senior Unsubordinated Notes 8.38%, due 7/15/33 | Caal | B- |

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| | | | |
|-----------|--|-----|-----|
| 1,365,000 | BEVERAGE - 0.7% Constellation Brands, Inc., Guaranteed Notes 7.25%, due 9/1/16 | Ba3 | BB- |
| 780,000 | CHEMICALS - 4.2% Chemtura Corp., Guaranteed Notes 6.88%, due 6/1/16 | Ba1 | BB+ |
| 2,595,000 | Hexion US Finance Corp., Senior Notes 9.75%, due 11/15/14 | B3 | B- |

1

LEHMAN BROTHERS FIRST TRUST INCOME OPPORTUNITY FUND

SCHEDULE OF INVESTMENTS CONTINUED

MARCH 31, 2007
(UNAUDITED)

| PRINCIPAL AMOUNT | DESCRIPTION | MOODY'S RATINGS (*) | S&P RATINGS (*) |
|----------------------------------|---|------------------------|--------------------|
| CORPORATE DEBT - CONTINUED | | | |
| CHEMICALS - CONTINUED | | | |
| \$ 760,000 | Lyondell Chemical Co., Guaranteed Notes 8.25%, due 9/15/16 | B1 | B+ |
| 1,720,000 | MacDermid, Inc., Senior Subordinated Notes 9.50%, due 4/15/17 | Caa1 | CCC+ |
| 1,745,000 | PQ Corp., Guaranteed Notes 7.50%, due 2/15/13 | B3 | B- |
| CONSUMER - PRODUCTS - 2.0% | | | |
| 1,430,000 | Amscan Holdings, Inc., Senior Subordinated Notes 8.75%, due 5/1/14 | Caa1 | CCC+ |
| 2,340,000 | Yankee Acquisition Corp., Senior Subordinated Notes 9.75%, due 2/15/17 | Caa1 | CCC+ |
| DIVERSIFIED CAPITAL GOODS - 0.3% | | | |
| 530,000 | American Railcar Industries, Inc., Senior Unsecured Notes 7.50%, due 3/1/14 | B1 | BB- |
| ELECTRIC - GENERATION 6.3% | | | |
| 2,050,000 | Dynegy-Roseton Danskamme, Pass-Through Certificates, Ser. B 7.67%, due 11/8/16 | Ba3 | B |
| 3,070,000 | Midwest Generation LLC, Secured Notes 8.75%, due 5/1/34 | Ba2 | B+ |
| 3,345,000 | Mirant Americas Generation, Inc., Senior Unsecured Notes 8.30%, due 5/1/11 | Caa1 | B- |
| 1,325,000 | NRG Energy, Inc., Guaranteed Notes 7.38%, due 2/1/16 | B1 | B- |
| 1,375,000 | NRG Energy, Inc., Guaranteed Notes 7.38%, due 1/15/17 | B1 | B- |

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| | | | |
|-----------|---|-----|-----|
| | ELECTRONICS - 4.4% | | |
| 3,045,000 | Flextronics Int'l., Ltd., Senior Subordinated Notes 6.50%, due 5/15/13 | Ba2 | BB- |
| 2,790,000 | Freescale Semiconductor, Inc., Senior Notes 9.13%, due 12/15/14 | B1 | B |
| 660,000 | NXP BV Funding LLC, Secured Notes 7.88%, due 10/15/14 | Ba2 | BB+ |
| 1,650,000 | NXP BV Funding LLC, Senior Notes 9.50%, due 10/15/15 | B2 | B+ |
| | ENERGY-EXPLORATION & PRODUCTION - 4.4% | | |
| 670,000 | Chesapeake Energy Corp., Guaranteed Notes 7.50%, due 9/15/13 | Ba2 | BB |
| 1,345,000 | Chesapeake Energy Corp., Guaranteed Notes 6.38%, due 6/15/15 | Ba2 | BB |
| 475,000 | Forest Oil Corp., Guaranteed Unsecured Notes 8.00%, due 12/15/11 | B1 | B+ |

2

LEHMAN BROTHERS FIRST TRUST INCOME OPPORTUNITY FUND

SCHEDULE OF INVESTMENTS CONTINUED

MARCH 31, 2007
(UNAUDITED)

| PRINCIPAL AMOUNT | DESCRIPTION | MOODY'S RATINGS (*) | S&P RATINGS (*) |
|----------------------------|--|------------------------|--------------------|
| CORPORATE DEBT - CONTINUED | | | |
| | ENERGY-EXPLORATION & PRODUCTION - CONTINUED | | |
| \$ 840,000 | Forest Oil Corp., Guaranteed Senior Unsecured Notes 7.75%, due 5/1/14 | B1 | B+ |
| 4,860,000 | Sabine Pass L.P., Secured Notes 7.50%, due 11/30/16 | Ba3 | BB |
| | ENVIRONMENTAL - 1.1% | | |
| 1,375,000 | Allied Waste North America, Inc., Guaranteed Notes 7.25%, due 3/15/15 | B1 | BB |
| 715,000 | Allied Waste North America, Inc., Guaranteed Notes 6.88%, due 6/1/17 | B1 | BB |
| | FOOD & DRUG RETAILERS - 1.7% | | |
| 2,985,000 | Jean Coutu Group PJC, Inc., Guaranteed Notes 8.50%, due 8/1/14 | Caa2 | B- |
| | FORESTRY/PAPER - 1.6% | | |
| 535,000 | Bowater, Inc., Senior Floating Rate Notes 8.35%, due 6/15/07 | B3 | B+ |
| 1,090,000 | Bowater, Inc., Debentures | | |

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| | | | |
|-----------|--|----------|----------|
| 1,200,000 | 9.00%, due 8/1/09 Graphic Packaging Int'l., Inc., Guaranteed Notes 8.50%, due 8/15/11 | B3 B2 | B+ B- |
| 1,045,000 | GAMING - 6.1% Chukchansi Economic Development Authority, Senior Notes 8.00%, due 11/15/13 | B2 | BB- |
| 3,440,000 | Majestic Star LLC, Senior Unsecured Notes 9.75%, due 1/15/11 | Caal | CCC+ |
| 1,545,000 | MGM Grand, Inc., Guaranteed Senior Notes 6.00%, due 10/1/09 | Ba2 | BB |
| 460,000 | Park Place Entertainment, Senior Subordinated Notes 7.88%, due 3/15/10 | Ba1 | B+ |
| 1,910,000 | Pokagon Gaming Authority, Senior Notes 10.38%, due 6/15/14 | B3 | B |
| 1,475,000 | San Pasqual Casino, Notes 8.00%, due 9/15/13 | B2 | B+ |
| 1,495,000 | Station Casinos, Inc., Senior Unsecured Subordinated Notes 6.88%, due 3/1/16 | Ba3 | B |
| 690,000 | GAS DISTRIBUTION - 7.0% AmeriGas Partners, L.P., Senior Unsecured Notes 7.25%, due 5/20/15 | B1 | |
| 670,000 | AmeriGas Partners, L.P., Senior Notes 7.13%, due 5/20/16 | B1 | |
| 1,635,000 | Ferrellgas Partners L.P., Senior Unsecured Notes 8.75%, due 6/15/12 | B2 | B- |
| 1,335,000 | Kinder Morgan, Inc., Senior Notes 6.50%, due 9/1/12 | Baa2 | BB- |

3

LEHMAN BROTHERS FIRST TRUST INCOME OPPORTUNITY FUND

SCHEDULE OF INVESTMENTS CONTINUED

MARCH 31, 2007

(UNAUDITED)

| PRINCIPAL AMOUNT | DESCRIPTION | MOODY'S RATINGS (*) | S&P RATINGS (*) |
|------------------------------|--|---------------------|-----------------|
| CORPORATE DEBT - CONTINUED | | | |
| GAS DISTRIBUTION - CONTINUED | | | |
| \$ 1,500,000 | Kinder Morgan, Inc., Guaranteed Notes 5.70%, due 1/5/16 | Baa2 | BB- |
| 3,500,000 | Regency Energy Partners, Senior Unsecured Notes 8.38%, due 12/15/13 | B2 | B |
| 1,415,000 | Targa Resources, Inc., Guaranteed Notes 8.50%, due 11/1/13 | B3 | B- |
| 2,025,000 | Transcontinental Gas Pipe Line, Debentures 7.25%, due 12/1/26 | Ba1 | BB+ |

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| PRINCIPAL AMOUNT | DESCRIPTION | MOODY'S RATINGS (*) | S&P RATINGS (*) |
|---|--|---------------------|-----------------|
| HEALTH SERVICES - 16.4% | | | |
| 2,540,000 | CDRV Investors, Inc., Senior Floating Rate Notes 9.86%, due 6/1/07 | Caa1 | CCC+ |
| 4,010,000 | CDRV Investors, Inc., Senior Unsecured Notes, Step-Up 0.00%/9.63%, due 1/1/15 | Caa1 | CCC+ |
| 2,750,000 | HCA, Inc., Senior Unsecured Notes 6.50%, due 2/15/16 | Caa1 | B- |
| 5,930,000 | HCA, Inc., Secured Notes 9.25%, due 11/15/16 | B2 | BB- |
| 740,000 | Omnicare, Inc., Senior Subordinated Notes 6.13%, due 6/1/13 | Ba3 | BB+ |
| 2,265,000 | Omnicare, Inc., Guaranteed Notes 6.88%, due 12/15/15 | Ba3 | BB+ |
| 1,200,000 | Service Corp. Int'l., Senior Unsecured Notes 7.38%, due 10/1/14 | B1 | BB- |
| 675,000 | Service Corp. Int'l., Senior Notes 7.00%, due 6/15/17 | B1 | BB- |
| 2,420,000 | Service Corp. Int'l., Senior Notes 7.50%, due 4/1/27 | B1 | BB- |
| 1,040,000 | Spheris, Inc., Senior Subordinated Notes 11.00%, due 12/15/12 | Caa1 | CCC |
| 1,390,000 | US Oncology, Inc., Senior Unsecured Floating Rate Notes 9.80%, due 9/17/07 | B3 | B- |
| 3,485,000 | US Oncology, Inc., Senior Unsecured Floating Rate Notes 10.58%, due 9/17/07 | B1 | B- |
| 1,065,000 | US Oncology, Inc., Guaranteed Notes 9.00%, due 8/15/12 | B1 | B- |
| 1,320,000 | Ventas Realty L.P., Guaranteed Senior Notes 6.50%, due 6/1/16 | Ba2 | BB+ |
| INVESTMENTS & MISC. FINANCIAL SERVICES - 1.5% | | | |
| 2,680,000 | Cardtronics, Inc., Guaranteed Notes 9.25%, due 8/15/13 | B3 | B- |
| LEISURE - 1.3% | | | |
| 1,210,000 | AMF Bowling Worldwide, Inc., Guaranteed Notes 10.00%, due 3/1/10 | B3 | CCC+ |
| 1,255,000 | Royal Caribbean Cruises, Senior Unsubordinated Notes 7.50%, due 10/15/27 | Ba1 | BBB- |

4

LEHMAN BROTHERS FIRST TRUST INCOME OPPORTUNITY FUND

SCHEDULE OF INVESTMENTS CONTINUED

MARCH 31, 2007
(UNAUDITED)

| PRINCIPAL AMOUNT | DESCRIPTION | MOODY'S RATINGS (*) | S&P RATINGS (*) |
|------------------|-------------|---------------------|-----------------|
|------------------|-------------|---------------------|-----------------|

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CORPORATE DEBT - CONTINUED

| | | | |
|--------------|--|------|------|
| | MEDIA - BROADCAST - 9.1% | | |
| \$ 1,465,000 | Clear Channel Communications, Inc., Senior Notes 5.50%, due 9/15/14 | Baa3 | BB+ |
| 2,865,000 | CMP Susquehanna Corp., Senior Subordinated Notes 9.88%, due 5/15/14 | B3 | CCC |
| 1,135,000 | Entercom Radio/Capital, Guaranteed Senior Unsecured Notes 7.63%, due 3/1/14 | B1 | B |
| 2,020,000 | LIN Television Corp., Senior Subordinated Notes 6.50%, due 5/15/13 | B1 | B- |
| 675,000 | LIN Television Corp., Guaranteed Notes, Ser. B 6.50%, due 5/15/13 | B1 | B- |
| 3,480,000 | Paxson Communications, Secured Floating Rate Notes 11.61%, due 4/16/07 | Caa2 | CCC- |
| 2,540,000 | Umbrella Acquisition, Inc., Senior Notes 9.75%, due 3/15/15 | B3 | CCC+ |
| 1,315,000 | Young Broadcasting, Inc., Guaranteed Notes 10.00%, due 3/1/11 | Caa1 | CCC- |
| 1,560,000 | Young Broadcasting, Inc., Senior Subordinated Note 8.75%, due 1/15/14 | Caa1 | CCC- |
| | MEDIA - CABLE - 4.3% | | |
| 715,000 | CCH I Holdings LLC, Guaranteed Notes 10.00%, due 5/15/14 | Caa3 | CCC |
| 3,453,000 | CCH I Holdings LLC, Secured Notes 11.00%, due 10/1/15 | Caa2 | CCC |
| 1,350,000 | Charter Communications Operating LLC, Senior Notes 8.00%, due 4/30/12 | B3 | B |
| 1,065,000 | EchoStar DBS Corp., Guaranteed Notes 7.00%, due 10/1/13 | Ba3 | BB- |
| 1,355,000 | EchoStar DBS Corp., Guaranteed Notes 7.13%, due 2/1/16 | Ba3 | BB- |
| | MEDIA - SERVICES - 2.1% | | |
| 1,330,000 | WGM Acquisition Corp., Senior Subordinated Notes 7.38%, due 4/15/14 | B2 | B |
| 3,465,000 | WGM Holdings Corp., Guaranteed Notes, Step-Up 0.00%/9.50%, due 12/15/14 | B2 | B |
| | METALS/MINING EXCLUDING STEEL - 6.2% | | |
| 950,000 | Aleris Int'l., Inc., Senior Notes 9.00%, due 12/15/14 | B3 | B- |
| 1,160,000 | Aleris Int'l., Inc., Senior Subordinated Notes 10.00%, due 12/15/16 | Caa1 | B- |
| 2,065,000 | Arch Western Finance Corp., Guaranteed Notes 6.75%, due 7/1/13 | B1 | BB- |
| 425,000 | Freeport-McMoRan Copper & Gold, Senior Unsecured Notes 8.25%, due 4/1/15 | Ba3 | BB- |
| 2,205,000 | Freeport-McMoRan Copper & Gold, Senior Unsecured Notes 8.38%, due 4/1/17 | Ba3 | BB |

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LEHMAN BROTHERS FIRST TRUST INCOME OPPORTUNITY FUND

SCHEDULE OF INVESTMENTS CONTINUED

MARCH 31, 2007
(UNAUDITED)

| PRINCIPAL AMOUNT | DESCRIPTION | MOODY'S RATINGS (*) | S&P RATINGS (*) |
|---|--|------------------------|--------------------|
| CORPORATE DEBT - CONTINUED | | | |
| METALS/MINING EXCLUDING STEEL - CONTINUED | | | |
| \$ 3,855,000 | Massey Energy Co., Guaranteed Senior Notes 6.88%, due 12/15/13 | B2 | B+ |
| 775,000 | Peabody Energy Corp., Guaranteed Senior Notes 6.88%, due 3/15/13 | Ba1 | BB |
| NON-FOOD & DRUG RETAILERS - 2.0% | | | |
| 780,000 | Blockbuster, Inc., Senior Subordinated Notes 9.00%, due 9/1/12 | Caa2 | CCC+ |
| 1,225,000 | Bon-Ton Department Stores, Inc., Guaranteed Notes 10.25%, due 3/15/14 | B3 | B- |
| 660,000 | GSC Holdings Corp., Guaranteed Notes 8.00%, due 10/1/12 | B1 | B+ |
| 1,500,000 | Michaels Stores, Inc., Subordinated Notes, Step-Up 0.00%/13.00%, due 11/1/16 | Caa1 | CCC |
| PACKAGING - 4.6% | | | |
| 4,570,000 | Ball Corp., Guaranteed Notes 6.88%, due 12/15/12 | Ba1 | BB |
| 1,260,000 | Crown Americas LLC, Guaranteed Notes 7.75%, due 11/15/15 | B1 | B |
| 860,000 | Graham Packaging Co., Inc., Guaranteed Notes 9.88%, due 10/15/14 | Caa1 | CCC+ |
| 1,730,000 | Owens-Brockway Glass Container, Inc., Guaranteed Notes 8.75%, due 11/15/12 | Ba2 | BB- |
| PRINTING & PUBLISHING - 8.5% | | | |
| 290,000 | Dex Media West LLC, Senior Unsecured Notes, Ser. B 8.50%, due 8/15/10 | B1 | B |
| 580,000 | Dex Media West LLC, Guaranteed Notes, Ser. B 9.88%, due 8/15/13 | B2 | B |
| 2,960,000 | Dex Media, Inc., Senior Unsecured Notes 8.00%, due 11/15/13 | B3 | B |
| 3,560,000 | Idearc, Inc., Senior Notes 8.00%, due 11/15/16 | B2 | B+ |
| 300,000 | Primedia, Inc., Senior Floating Rate Notes 10.74%, due 5/15/07 | B2 | B |
| 2,435,000 | Primedia, Inc., Guaranteed Senior Unsecured Notes 8.88%, due 5/15/11 | B2 | B |
| 3,130,000 | R.H. Donnelley Corp., Senior Unsecured Notes, Ser A-3 8.88%, due 1/15/16 | B3 | B |
| 2,175,000 | Reader's Digest Association, Inc., Senior Subordinated Notes 9.00%, due 2/15/17 | Caa1 | CCC+ |

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| | | | |
|-----------|---|----|----|
| 2,640,000 | RAILROADS - 1.5% TFM SA de C.V., Senior Notes 9.38%, due 5/1/12 | B3 | B- |
|-----------|---|----|----|

6

LEHMAN BROTHERS FIRST TRUST INCOME OPPORTUNITY FUND

SCHEDULE OF INVESTMENTS CONTINUED

MARCH 31, 2007
(UNAUDITED)

| PRINCIPAL AMOUNT | DESCRIPTION | MOODY'S RATINGS (*) | S&P RATINGS (*) |
|----------------------------|--|------------------------|--------------------|
| CORPORATE DEBT - CONTINUED | | | |
| \$ 1,470,000 | REAL ESTATE DEV. & MGT. -1.5% American Real Estate Partners L.P., Guaranteed Note 7.13%, due 2/15/13 | Ba3 | BB+ |
| 1,270,000 | American Real Estate Partners, L.P., Senior Notes 8.13%, due 6/1/12 | Ba3 | BB+ |
| 1,060,000 | RESTAURANTS - 0.6% NPC Int'l., Inc., Guaranteed Notes 9.50%, due 5/1/14 | Caal | B- |
| 1,955,000 | SOFTWARE/SERVICES - 1.1% SunGard Data Systems, Inc., Guaranteed Notes 9.13%, due 8/15/13 | Caal | B- |
| 1,875,000 | STEEL PRODUCERS/PRODUCTS - 1.0% Tube City IMS Corp., Senior Subordinated Notes 9.75%, due 2/1/15 | B3 | B- |
| 845,000 | SUPPORT - SERVICES - 8.2% Aramark Corp., Senior Floating Rate Notes 8.86%, due 5/1/07 | B3 | B- |
| 1,360,000 | Aramark Corp., Senior Notes 8.50%, due 2/1/15 | B3 | B- |
| 475,000 | Education Management LLC, Guaranteed Notes 8.75%, due 6/1/14 | B2 | CCC+ |
| 3,645,000 | Knowledge Learning Corp., Inc., Guaranteed Notes 7.75%, due 2/1/15 | B2 | B- |
| 3,105,000 | Language Line, Inc., Guaranteed Notes 11.13%, due 6/15/12 | B3 | CCC+ |
| 3,105,000 | Monitronics Int'l., Inc., Guaranteed Notes 11.75%, due 9/1/10 | B3 | B- |
| 2,230,000 | Rural/Metro Corp., Guaranteed Notes 9.88%, due 3/15/15 | B3 | CCC+ |

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| | | | |
|-----------|---|-----|------|
| 845,000 | TELECOM - FIXED LINE - 0.5% Level 3 Financing, Inc., Senior Notes 9.25%, due 11/1/14 | B3 | CCC+ |
| 4,250,000 | TELECOM - INTEGRATED/SERVICES - 8.3% Citizens Utilities Co., Bonds 7.13%, due 3/15/19 | Ba2 | BB+ |
| 1,335,000 | Dycom Industries, Inc., Guaranteed Notes 8.13%, due 10/15/15 | Ba3 | B+ |
| 2,200,000 | Intelsat Bermuda Ltd., Guaranteed Notes 9.25%, due 6/15/16 | B2 | B+ |
| 1,020,000 | Nordic Telephone Co. Holdings, Secured Notes 8.88%, due 5/1/16 | B2 | B |
| 1,095,000 | Qwest Corp., Senior Notes 7.88%, due 9/1/11 | Ba1 | BB+ |
| 1,495,000 | Qwest Corp., Notes 8.88%, due 3/15/12 | Ba1 | BB+ |
| 1,340,000 | Windstream Corp., Guaranteed Notes 8.13%, due 8/1/13 | Ba3 | BB- |

7

LEHMAN BROTHERS FIRST TRUST INCOME OPPORTUNITY FUND

SCHEDULE OF INVESTMENTS CONTINUED

MARCH 31, 2007
(UNAUDITED)

| PRINCIPAL AMOUNT | DESCRIPTION | MOODY'S RATINGS (*) | S&P RATINGS (*) |
|--|---|------------------------|--------------------|
| CORPORATE DEBT - CONTINUED | | | |
| TELECOM - INTEGRATED/SERVICES - CONTINUED | | | |
| \$ 1,910,000 | Windstream Corp., Guaranteed Notes 8.63%, due 8/1/16 | Ba3 | BB- |
| THEATERS & ENTERTAINMENT - 1.6% | | | |
| 1,230,000 | AMC Entertainment, Inc., Guaranteed Notes, Ser. B 8.63%, due 8/15/12 | Ba3 | B- |
| 1,455,000 | AMC Entertainment, Inc., Guaranteed Notes 11.00%, due 2/1/16 | B3 | CCC+ |
| TRANSPORTATION EXCLUDING AIR/RAIL - 1.1% | | | |
| 2,055,000 | Stena AB, Senior Unsecured Notes 7.00%, due 12/1/16 | Ba3 | BB- |
| TOTAL CORPORATE DEBT (IDENTIFIED COST \$250,191,821) | | | |

NUMBER OF
SHARES

SHORT-TERM INVESTMENTS - 6.0%

11,191,616 Neuberger Berman Prime Money Fund Trust Class

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(COST \$11,191,616)

TOTAL INVESTMENTS - 147.9%
(IDENTIFIED COST \$268,383,437)

Other Assets, Less Liabilities - 0.4%

Money Market Cumulative Preferred Shares plus cumulative
unpaid dividends (48.3%)

TOTAL NET ASSETS APPLICABLE TO COMMON SHAREHOLDERS - 100%

See Notes to Schedule of Investments

8

LEHMAN BROTHERS MARCH 31, 2007 (UNAUDITED)

NOTES TO SCHEDULE OF INVESTMENTS

- (+) Investments in debt securities by Lehman Brothers First Trust Income Opportunity Fund (the "Fund") are valued using an independent pricing service approved by the Board of Trustees, which utilizes closing market prices, market quotations and transactions, quotations from dealers and various relationships among securities in determining value. Securities for which closing market prices or market quotations are not available or are not considered by Neuberger Berman Management Inc. to be reflective of a security's market value, are valued at fair value as determined in good faith by methods established by and under the supervision of the Board of Trustees. Criteria considered in making this determination may include, but are not limited to, a review of other securities by the same issuer for which market quotations are available, recent bid and ask prices for the security, the issuer's position in an economic outlook of the industry and, if necessary, a review of similar securities in similar industries. Securities with remaining maturities of 60 days or less are valued at amortized cost. This method involves valuing a portfolio security initially at its cost and thereafter assumes a constant amortization to maturity of any discount of premium.
- (#) At cost, which approximates market value.
- (##) At March 31, 2007, the cost of investments for U.S. federal income tax

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purposes was \$268,616,728. Gross unrealized appreciation of investments was \$8,584,551 and gross unrealized depreciation of investments was \$799,804, resulting in net unrealized appreciation of \$7,784,747, based on cost for U.S. federal income tax purposes.

- @ Neuberger Berman Prime Money Fund ("Prime Money") is also managed by Neuberger Berman Management Inc. and may be considered an affiliate since it has the same officers, Board members, and investment manager as the Fund and because, at times, the Fund may own 5% or more of the outstanding voting securities of Prime Money.
- (n) Restricted security subject to restrictions on resale under federal securities laws. These securities may be resold in transactions exempt from registration, normally to qualified institutional buyers under Rule 144A, and have been deemed by the investment manager to be liquid. At March 31, 2007, these securities amounted to \$83,639,077 or 44.8% of net assets applicable to common shareholders.
- (^^) Denotes a step-up bond: a zero coupon bond that converts to a fixed rate of interest at a designated future date.
- (00) All or a portion of this security is segregated as collateral for interest rate swap contracts.
- (u) Denotes a floating rate security, which is a security whose yields vary with a designated market index or market rate. These securities are shown at their current rates as of March 31, 2007.
- (*) Where no rating appears from any NRSRO, the security is deemed unrated.
- (@@) At March 31, 2007, the Fund had outstanding the following interest rate swap contract:

| SWAP COUNTER PARTY | NOTIONAL AMOUNT | TERMINATION DATE | RATE TYPE | | ACCRUED NET INTEREST RECEIVABLE (PAYABLE) | UNREALIZED APPRECIATION (DEPRECIATION) |
|--------------------|-----------------|--------------------|--------------------------------------|---|---|--|
| | | | FIXED-RATE PAYMENTS MADE BY THE FUND | VARIABLE-RATE PAYMENTS RECEIVED BY THE FUND (1) | | |
| Citibank, N.A. | \$22,500,000 | September 28, 2007 | 3.22% | 5.32% | \$3,930 | \$23 |

(1) 30 day LIBOR (London Interbank Offered Rate) at March 26, 2007.

For information on the Fund's significant accounting policies, please refer to the Fund's most recent financial statements.

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ITEM 2. CONTROLS AND PROCEDURES.

- (a) Based on an evaluation of the disclosure controls and procedures (as defined in rule 30a-3(c) under the Investment Company Act of 1940, as amended (the "Act")) as of a date within 90 days of the filing date of this document, the Chief Executive Officer and Treasurer and Principal Financial and Accounting Officer of the Registrant have concluded that such disclosure controls and procedures are effectively designed to ensure that information required to be disclosed by the Registrant on Form N-CSR and Form N-Q is accumulated and communicated to the Registrant's management to allow timely decisions regarding required disclosure.
- (b) There were no significant changes in the Registrant's internal controls over financial reporting (as defined in rule 30a-3(d) under the 1940 Act) that occurred during the Registrant's last fiscal quarter that have materially affected, or are reasonably likely to materially affect, the Registrant's internal control over financial reporting.

ITEM 3. EXHIBITS

The certifications required by Rule 30a-2(a) of the 1940 Act are filed herewith.

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.

Lehman Brothers First Trust Income Opportunity Fund

By: /s/Peter E. Sundman

Peter E. Sundman
Chief Executive Officer

Date: May 29, 2007

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

By: /s/ Peter E. Sundman

Peter E. Sundman
Chief Executive Officer

Date: May 29, 2007

By: /s/ John M. McGovern

John M. McGovern
Treasurer and Principal Financial

and Accounting Officer

Date: May 29, 2007