

LEHMAN BROTHERS FIRST TRUST INCOME OPPORTUNITY FUND
Form N-Q
May 26, 2006

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

FORM N-Q

**QUARTERLY SCHEDULE OF PORTFOLIO HOLDINGS OF REGISTERED
MANAGEMENT INVESTMENT COMPANY**

Investment Company Act file number 811-21342

Lehman Brothers First Trust Income Opportunity Fund
(Exact name of registrant as specified in charter)

399 Park Avenue, New York, NY
(Address of principal executive offices)

10022
(Zip code)

Bradley Tank, Chief Executive Officer of Lehman Brothers Asset Management Inc.
399 Park Avenue., New York, NY 10022
(Name and address of agent for service)

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

Date of fiscal year end: 12/31/2006

Date of reporting period: 03/31/2006

Item 1. Schedule of Investments.

The schedule of investments for the period ending March 31, 2006 is filed herewith.

Lehman Brothers First Trust Income Opportunity Fund SCHEDULE OF INVESTMENTS

March 31, 2006

(Unaudited)

| Principal Amount | Description | S&P Ratings | Moody's Ratings | Fitch Ratings | Value |
|---|--|-------------|-----------------|---------------|--------------|
| Asset Backed Securities 0.8% of Total Net Assets | | | | | |
| Airlines 0.8% | | | | | |
| \$ 1,405,000 | Delta Airlines, Inc., Pass-Through Certificates, Series 2000-1, Class A2 | | | | |
| | 7.570%, 11/18/2010 | BB | Ba | B | \$ 1,405,000 |
| | Total Asset Backed Securities (Identified Cost \$1,295,384) | | | | 1,405,000 |

| Principal Amount | Description | S&P Ratings | Moody's Ratings | Fitch Ratings | Value |
|--|--|-------------|-----------------|---------------|--------------|
| Corporate Debt 145.2% of Total Net Assets | | | | | |
| Automotive 15.7% | | | | | |
| \$ 2,000,000 | Ford Motor Co., Global Note | | | | |
| | 7.450%, 7/16/2031 | BB | Ba | BB | \$ 1,485,000 |
| 1,500,000 | Ford Motor Credit Co., Global Note | | | | |
| | 7.875%, 6/15/2010 | BB | Ba | BB | 1,406,200 |
| 5,000,000 | Ford Motor Credit Co., Note | | | | |
| | 6.500%, 1/25/2007 | BB | Ba | BB | 4,980,860 |
| 7,160,000 | Ford Motor Credit Co., Senior Note | | | | |
| | 4.950%, 1/15/2008 | BB | Ba | BB | 6,672,254 |
| 6,855,000 | General Motors Acceptance Corp., Global Note | | | | |
| | 5.125%, 5/09/2008 | BB | Ba | BB | 6,451,384 |
| 2,120,000 | General Motors Acceptance Corp., Global Note | | | | |
| | 6.125%, 1/22/2008 | BB | Ba | BB | 2,014,000 |
| 4,375,000 | General Motors Acceptance Corp., Global Note | | | | |
| | 6.875%, 9/15/2011 | BB | Ba | BB | 4,077,846 |
| 935,000 | General Motors Acceptance Corp., Senior Note | | | | |
| | 7.000%, 2/01/2012 | BB | Ba | BB | 870,592 |
| | | | | | 27,958,136 |
| Beverages, Food & Tobacco 1.9% | | | | | |
| 1,000,000 | Del Monte Corp., Senior Subordinated Note | | | | |
| | 8.625%, 12/15/2012 | B | B | BB | 1,056,250 |
| 1,120,000 | Le-Natures, Inc., Senior Subordinated Note, 144A | | | | |
| | 9.000%, 6/15/2013 | CCC | B | NR | 1,176,000 |

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|-----------|---|-----|-----|-----|-----------|
| 1,050,000 | Smithfield Foods, Inc., Series B, Senior Note | | | | |
| | 7.750%, 5/15/2013 | BB | Ba | NR | 1,081,500 |
| | | | | | 3,313,750 |
| | Building Materials 0.8% | | | | |
| 1,460,000 | Nortek, Inc., Senior Subordinated Note | | | | |
| | 8.500%, 9/01/2014 | CCC | Caa | NR | 1,485,550 |
| | Chemicals 2.9% | | | | |
| 670,000 | AmeriGas Partners, LP/AP Eagle Finance Corp., Senior Note | | | | |
| | 7.125%, 5/20/2016 | BB | B | BB | 666,650 |
| 1,155,000 | Equistar Chemicals, LP/Equistar Funding Corp., Senior Note | | | | |
| | 10.625%, 5/01/2011 | BB | B | BB | 1,250,287 |
| 1,805,000 | Methanex Corp., Senior Note | | | | |
| | 8.750%, 8/15/2012 | BBB | Ba | BBB | 1,971,962 |
| 1,325,000 | PQ Corp., Senior Subordinated Note, 144A | | | | |
| | 7.500%, 2/15/2013 | B | B | NR | 1,272,000 |
| | | | | | 5,160,899 |
| | Coal 3.9% | | | | |
| 2,650,000 | Arch Western Finance LLC, Guaranteed Senior Note | | | | |
| | 6.750%, 7/01/2013 | BB | Ba | NR | 2,630,125 |
| 340,000 | Massey Energy Co., Senior Note | | | | |

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|-----------|--|-----|-----|----|------------|
| | 6.625%, 11/15/2010 | BB | B | NR | 345,950 |
| 2,800,000 | Massey Energy Co., Senior Note, 144A | | | | |
| | 6.875%, 12/15/2013 | BB | B | NR | 2,744,000 |
| 1,275,000 | Peabody Energy Corp., Senior Note | | | | |
| | 6.875%, 3/15/2013 | BB | Ba | BB | 1,294,125 |
| | | | | | 7,014,200 |
| | Commercial Services 9.0% | | | | |
| 3,180,000 | Allied Waste North America, Inc., Senior Secured Note | | | | |
| | 8.875%, 4/01/2008 | BB | B | B | 3,339,000 |
| 2,300,000 | Cardtronics, Inc., Senior Subordinated Note, 144A | | | | |
| | 9.250%, 8/15/2013 | B | Caa | NR | 2,300,000 |
| 2,945,000 | Knowledge Learning Corp., Inc., Senior Subordinated Note, 144A | | | | |
| | 7.750%, 2/01/2015 | B | B | NR | 2,805,112 |
| 3,105,000 | Language Line, Inc., Note | | | | |
| | 11.125%, 6/15/2012 | CCC | Caa | NR | 2,872,125 |
| 3,105,000 | Monitronics International, Inc., Senior Subordinated Note | | | | |
| | 11.750%, 9/01/2010 | B | B | NR | 3,112,762 |
| 1,595,000 | Service Corp. International/US, Senior Note, Step-Up, 144A | | | | |
| | 7.500%, 6/15/2017 (b) | BB | Ba | NR | 1,622,912 |
| | | | | | 16,051,911 |
| | Communications 4.6% | | | | |
| 1,305,000 | Dycom Industries, Inc., Senior Subordinated Note | | | | |
| | 8.125%, 10/15/2015 | B | Ba | NR | 1,344,150 |
| 3,375,000 | Intelsat Subsidiary Holding Co., Ltd., Guaranteed Senior Note | | | | |
| | 8.625%, 1/15/2015 | B | B | B | 3,484,687 |
| 2,280,000 | L-3 Communications Corp., Senior Subordinated Note | | | | |
| | 7.625%, 6/15/2012 | BB | Ba | BB | 2,354,100 |
| 1,345,000 | PanAmSat Holding Corp., Senior Note, Step-Up | | | | |
| | 0.000%/10.375%, 11/01/2014 (b) | B | B | NR | 968,400 |
| | | | | | 8,151,337 |
| | Computers 2.1% | | | | |
| 3,555,000 | Sungard Data Systems, Inc., Senior Note, 144A | | | | |
| | 9.125%, 8/15/2013 | B | B | B | 3,759,412 |
| | Containers & Packaging 4.0% | | | | |
| 860,000 | Ball Corp., Guaranteed Senior Note | | | | |
| | 6.875%, 12/15/2012 | BB | Ba | BB | 879,350 |
| 3,645,000 | Crown Americas, Inc., Guaranteed Senior Note, 144A | | | | |
| | 7.750%, 11/15/2015 | B | B | NR | 3,781,687 |
| 2,345,000 | Owens-Brockway Glass Container, Senior Secured Note | | | | |
| | 8.750%, 11/15/2012 | BB | B | BB | 2,509,150 |
| | | | | | 7,170,187 |
| | Cosmetics & Personal Care 0.4% | | | | |
| 655,000 | Playtex Products, Inc., Senior Subordinated Note | | | | |
| | 9.375%, 6/01/2011 | CCC | Caa | NR | 684,475 |

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| Electric Utilities 11.4% | | | | | |
|---------------------------------|--|-----|----|----|-----------|
| 4,305,000 | AES Corp. (The), Senior Secured Note, 144A | | | | |
| | 8.750%, 5/15/2013 | BB | Ba | BB | 4,649,400 |
| 2,505,000 | CMS Energy Corp., Senior Note | | | | |
| | 7.750%, 8/01/2010 | B | B | BB | 2,623,987 |
| 440,000 | Edison Mission Energy Corp., Senior Note | | | | |
| | 9.875%, 4/15/2011 | B | B | B | 497,200 |
| 1,785,000 | Midwest Generation LLC, Senior Secured Note | | | | |
| | 8.750%, 5/01/2034 | B | B | B | 1,932,262 |
| 2,545,000 | Mirant Americas Generation, Inc., Senior Note | | | | |
| | 8.300%, 5/01/2011 | B | B | B | 2,634,075 |
| 1,410,000 | Mission Energy Holding Co., Senior Secured Note | | | | |
| | 13.500%, 7/15/2008 | CCC | B | B | 1,617,975 |
| 1,300,000 | NRG Energy, Inc., Senior Note | | | | |

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|-----------|--|-----|-----|-----|------------|
| | 7.375%, 2/01/2016 | B | B | B | 1,327,625 |
| 3,000,000 | TECO Energy, Inc., Note | | | | |
| | 7.500%, 6/15/2010 | BB | Ba | BB | 3,157,500 |
| 620,000 | TXU Corp., Series P, Senior Note | | | | |
| | 5.550%, 11/15/2014 | BB | Ba | BBB | 579,946 |
| 1,500,000 | TXU Corp., Series Q, Senior Note | | | | |
| | 6.500%, 11/15/2024 | BB | Ba | BBB | 1,367,128 |
| | | | | | 20,387,098 |
| | Electronics 3.2% | | | | |
| 1,350,000 | Flextronics International, Ltd., Senior Subordinated Note | | | | |
| | 6.500%, 5/15/2013 | BB | Ba | BB | 1,339,875 |
| 2,430,000 | Freescale Semiconductor, Inc., Senior Note | | | | |
| | 7.125%, 7/15/2014 | BBB | Ba | BB | 2,521,125 |
| 1,720,000 | Xerox Corp., Note | | | | |
| | 7.625%, 6/15/2013 | BB | Ba | BB | 1,810,300 |
| | | | | | 5,671,300 |
| | Entertainment & Leisure 13.9% | | | | |
| 680,000 | AMC Entertainment, Inc., Guaranteed Senior Note, 144A | | | | |
| | 11.000%, 2/01/2016 | CCC | B | CCC | 702,100 |
| 750,000 | AMC Entertainment, Inc., Senior Subordinated Note | | | | |
| | 8.000%, 3/01/2014 | CCC | B | CCC | 669,375 |
| 2,020,000 | AMF Bowling Worldwide, Inc., Senior Subordinated Note | | | | |
| | 10.000%, 3/01/2010 | CCC | Caa | NR | 2,070,500 |
| 1,330,000 | Blockbuster, Inc., Senior Subordinated Note, 144A | | | | |
| | 9.000%, 9/01/2012 | CCC | Caa | CC | 1,163,750 |
| 1,150,000 | Choctaw Resort Development Enterprise, Senior Note, 144A | | | | |
| | 7.250%, 11/15/2019 | BB | B | NR | 1,155,750 |
| 2,790,000 | Chukchansi Economic Development Authority, Note, 144A | | | | |
| | 8.000%, 11/15/2013 | BB | B | NR | 2,859,750 |
| 2,000,000 | Chumash Casino & Resort Enterprise, Senior Note, 144A | | | | |
| | 9.000%, 7/15/2010 | BB | Ba | NR | 2,115,000 |
| 1,115,000 | Majestic Star Casino LLC/ Majestic Star Casino Cap, Senior Note | | | | |
| | 9.500%, 10/15/2010 | BB | B | NR | 1,181,900 |
| 910,000 | Majestic Star Casino LLC/ Majestic Star Casino Capital Corp. II, Senior Secured Note, 144A | | | | |
| | 9.750%, 1/15/2011 | B | B | NR | 919,100 |
| 1,090,000 | Marquee, Inc., Series B, Senior Note | | | | |
| | 8.625%, 8/15/2012 | B | B | B | 1,139,050 |
| 1,275,000 | Mohegan Tribal Gaming Authority, Senior Subordinated Note | | | | |
| | 8.000%, 4/01/2012 | B | Ba | NR | 1,335,562 |
| 665,000 | Penn National Gaming, Inc., Senior Subordinated Note | | | | |
| | 6.875%, 12/01/2011 | B | Ba | NR | 676,637 |
| 790,000 | Royal Caribbean Cruises, Ltd., Senior Note | | | | |
| | 7.500%, 10/15/2027 | BBB | Ba | NR | 826,178 |
| 1,815,000 | San Pasqual Casino, Senior Note, 144A | | | | |

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|-----------|---|----|----|----|------------|
| | 8.000%, 9/15/2013 | B | B | NR | 1,833,150 |
| 3,510,000 | Station Casinos, Inc., Senior Subordinated Note | | | | |
| | 6.875%, 3/01/2016 | B | Ba | NR | 3,527,550 |
| 3,385,000 | WGMG Holdings Corp., Senior Note, Step-Up | | | | |
| | 0.000%/9.500%, 12/15/2014 (b) | B | B | NR | 2,492,206 |
| | | | | | 24,667,558 |
| | Financial Services 1.1% | | | | |
| 500,000 | American Real Estate Partners, LP, Senior Note | | | | |
| | 8.125%, 6/01/2012 | BB | Ba | NR | 513,750 |
| 1,470,000 | American Real Estate Partners, LP/American Real Estate Finance Corp., Senior Note | | | | |
| | 7.125%, 2/15/2013 | BB | Ba | NR | 1,447,950 |
| | | | | | 1,961,700 |
| | Forest Products & Paper 1.4% | | | | |
| 1,090,000 | Bowater, Inc., Note | | | | |

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|-----------|--|-----|-----|-----|------------|
| | 9.000%, 8/01/2009 | B | B | BB | 1,133,600 |
| 700,000 | Graphic Packaging International Corp., Senior Subordinated Note | | | | |
| | 9.500%, 8/15/2013 | B | B | NR | 654,500 |
| 720,000 | Graphic Packaging International Corp., Senior Note | | | | |
| | 8.500%, 8/15/2011 | B | B | NR | 712,800 |
| | | | | | 2,500,900 |
| | Health Care Providers 6.8% | | | | |
| 2,575,000 | HCA, Inc., Note | | | | |
| | 7.500%, 11/06/2033 | BB | Ba | BB | 2,521,358 |
| 630,000 | Rural/Metro Corp., Senior Note, Step-Up | | | | |
| | 0.000%/12.750%, 3/15/2016 (b) | CCC | Caa | NR | 459,900 |
| 2,100,000 | Rural/Metro Corp., Senior Subordinated Note | | | | |
| | 9.875%, 3/15/2015 | CCC | B | NR | 2,262,750 |
| 700,000 | Select Medical Corp., Note, 144A, (FRN) | | | | |
| | 10.820%, 9/15/2015 | B | Caa | NR | 637,000 |
| 2,485,000 | Spheris, Senior Subordinated Note, 144A | | | | |
| | 11.000%, 12/15/2012 | CCC | Caa | NR | 2,298,625 |
| 1,595,000 | US Oncology Holdings, Inc., Senior Note, (FRN) | | | | |
| | 10.320%, 3/15/2015 | B | Caa | NR | 1,598,987 |
| 900,000 | US Oncology, Inc., Senior Note | | | | |
| | 9.000%, 8/15/2012 | B | B | NR | 931,500 |
| 1,330,000 | Ventas Realty, LP/Ventas Capital Corp. REIT, Note, 144A | | | | |
| | 6.500%, 6/01/2016 | BB | Ba | NR | 1,323,350 |
| | | | | | 12,033,470 |
| | Heavy Machinery 1.4% | | | | |
| 570,000 | Mueller Group, Inc., Senior Subordinated Note | | | | |
| | 10.000%, 5/01/2012 | B | Caa | NR | 624,150 |
| 2,390,000 | Mueller Holdings, Inc., Senior Note, Step-Up | | | | |
| | 0.000%/14.750%, 4/15/2014 (b) | B | NR | NR | 1,947,850 |
| | | | | | 2,572,000 |
| | Home Construction, Furnishings & Appliances 0.3% | | | | |
| 560,000 | K Hovnanian Enterprises, Inc., Senior Note | | | | |
| | 8.000%, 4/01/2012 | BB | Ba | BB | 576,800 |
| | Media - Broadcasting & Publishing 24.6% | | | | |
| 2,005,000 | CCH I Holdings LLC, Guaranteed Senior Note | | | | |
| | 10.000%, 5/15/2014 | CCC | Ca | CCC | 1,012,525 |
| 3,233,000 | CCH I LLC, Senior Secured Note | | | | |
| | 11.000%, 10/01/2015 | CCC | Caa | CCC | 2,687,431 |
| 1,845,000 | Charter Communications Operating LLC/Charter Communications Capital Corp., Senior Note, 144A | | | | |
| | 8.000%, 4/30/2012 | B | B | B | 1,835,775 |
| 1,000,000 | Charter Communications Operating LLC/Charter Communications Capital Corp., Senior Note, 144A | | | | |
| | 8.375%, 4/30/2014 | B | B | B | 997,500 |
| 2,525,000 | CSC Holdings, Inc., Series B, Senior Note | | | | |

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| | | | | | |
|-----------|--|----|----|-----|-----------|
| | 8.125%, 8/15/2009 | B | B | BB | 2,607,063 |
| 2,960,000 | Dex Media, Inc., Note | | | | |
| | 8.000%, 11/15/2013 | B | B | CCC | 3,048,800 |
| 1,800,000 | DirectTV Holdings LLC/DirectTV Financing Co., Senior Note | | | | |
| | 8.375%, 3/15/2013 | BB | Ba | BB | 1,921,500 |
| 2,010,000 | Echostar DBS Corp., Guaranteed Senior Note, 144A | | | | |
| | 7.125%, 2/01/2016 | BB | Ba | BB | 1,977,338 |
| 1,400,000 | Echostar DBS Corp., Senior Note | | | | |
| | 6.625%, 10/01/2014 | BB | Ba | BB | 1,352,750 |
| 960,000 | Entercom Radio LLC/Entercom Capital, Inc., Senior Subordinated Note | | | | |
| | 7.625%, 3/01/2014 | B | Ba | NR | 979,200 |
| 1,965,000 | Houghton Mifflin Co., Senior Note | | | | |
| | 8.250%, 2/01/2011 | B | B | B | 2,033,775 |

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|-----------|---|-----|-----|-----|------------|
| 1,675,000 | Liberty Media Corp., Senior Note 8.500%, 7/15/2029 | BB | Ba | BB | 1,646,011 |
| 340,000 | LIN Television Corp., Senior Subordinated Note 6.500%, 5/15/2013 | B | B | NR | 319,600 |
| 675,000 | LIN Television Corp., Series B, Senior Subordinated Note 6.500%, 5/15/2013 | B | B | NR | 634,500 |
| 720,000 | Mediacom Broadband LLC, Senior Note 8.500%, 10/15/2015 | B | B | B | 691,200 |
| 1,800,000 | Mediacom LLC/Mediacom Capital Corp., Senior Note 9.500%, 1/15/2013 | B | B | B | 1,782,000 |
| 730,000 | Paxson Communications Corp., Senior Note, 144A, (FRN) 7.777%, 1/15/2012 | CCC | B | NR | 733,650 |
| 6,525,000 | Paxson Communications Corp., Senior Note, 144A, (FRN) 10.777%, 1/15/2013 | CCC | B | NR | 6,459,750 |
| 1,665,000 | Primedia, Inc., Senior Note 8.000%, 5/15/2013 | B | B | NR | 1,523,475 |
| 2,185,000 | Primedia, Inc., Senior Note 8.875%, 5/15/2011 | B | B | NR | 2,130,375 |
| 3,130,000 | RH Donnelley Corp., Senior Note, 144A 8.875%, 1/15/2016 | B | Caa | CCC | 3,255,200 |
| 605,000 | Rogers Cable, Inc., Senior Secured Note 7.875%, 5/01/2012 | BB | Ba | BB | 647,350 |
| 1,355,000 | Rogers Cable, Inc., Senior Secured Note 8.750%, 5/01/2032 | BB | Ba | BB | 1,605,675 |
| 800,000 | Shaw Communications, Inc., Senior Note 7.200%, 12/15/2011 | BB | Ba | NR | 826,000 |
| 1,025,000 | Young Broadcasting, Inc., Senior Subordinated Note 8.750%, 1/15/2014 | CCC | Caa | NR | 876,375 |
| 190,000 | Young Broadcasting, Inc., Senior Subordinated Note 10.000%, 3/01/2011 | CCC | Caa | NR | 175,275 |
| | | | | | 43,760,093 |
| | Medical Supplies 1.8% | | | | |
| 4,805,000 | CDRV Investors, Inc., Senior Note, Step-Up 0.000%/9.625%, 1/01/2015 (b) | B | Caa | NR | 3,267,400 |
| | Oil & Gas 14.2% | | | | |
| 670,000 | Chesapeake Energy Corp., Senior Note 6.875%, 1/15/2016 | BB | Ba | BB | 675,025 |
| 2,380,000 | Chesapeake Energy Corp., Senior Note 7.000%, 8/15/2014 | BB | Ba | BB | 2,433,550 |
| 2,300,000 | Dynegy Holdings, Inc., Senior Note, 144A 10.125%, 7/15/2013 | B | B | B | 2,635,110 |
| 2,650,000 | El Paso Corp., Note, 144A 7.750%, 6/15/2010 | B | Caa | NR | 2,732,813 |
| 920,000 | El Paso Corp., Senior Note, 144A 9.625%, 5/15/2012 | B | Caa | NR | 1,023,500 |
| 540,000 | El Paso Natural Gas Co., Note 8.375%, 6/15/2032 | B | B | NR | 610,586 |
| 1,755,000 | El Paso Natural Gas Co., Senior Note 7.625%, 8/01/2010 | B | B | NR | 1,829,588 |

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| 2,015,000 | Ferrellgas Partners, LP/Ferrellgas Partners Finance Corp., Senior Note 8.750%, 6/15/2012 | B | B | B | 2,040,188 |
| 840,000 | Forest Oil Corp., Senior Note 7.750%, 5/01/2014 | BB | Ba | NR | 867,300 |
| 1,710,000 | Forest Oil Corp., Senior Note 8.000%, 12/15/2011 | BB | Ba | NR | 1,838,250 |
| 1,820,000 | Kerr-McGee Corp., Note 6.950%, 7/01/2024 | BB | Ba | BB | 1,851,464 |
| 500,000 | Newfield Exploration Co., Senior Note | | | | |

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|-----------|---|-----|-----|-----|------------|
| | 7.625%, 3/01/2011 | BB | Ba | BB | 531,875 |
| 3,000,000 | Newfield Exploration Co., Senior Subordinated Note | | | | |
| | 8.375%, 8/15/2012 | BB | Ba | BB | 3,210,000 |
| 435,000 | Southern Natural Gas Co., Note | | | | |
| | 8.000%, 3/01/2032 | B | B | NR | 477,081 |
| 1,420,000 | Targa Resources, Inc., Senior Note, 144A | | | | |
| | 8.500%, 11/01/2013 | B | B | NR | 1,476,800 |
| 965,000 | Transcontinental Gas Pipe Line Corp., Note | | | | |
| | 7.250%, 12/01/2026 | B | Ba | BB | 1,007,219 |
| | | | | | 25,240,349 |
| | Pharmaceuticals 2.4% | | | | |
| 1,655,000 | Athena Neurosciences Finance LLC, Senior Note | | | | |
| | 7.250%, 2/21/2008 | B | B | NR | 1,630,175 |
| 1,330,000 | Biovail Corp., Senior Subordinated Note | | | | |
| | 7.875%, 4/01/2010 | BB | B | NR | 1,356,600 |
| 1,280,000 | Elan Finance PLC/Elan Finance Corp., Guaranteed Senior Note, (FRN) | | | | |
| | 8.749%, 11/15/2011 | B | B | NR | 1,260,800 |
| | | | | | 4,247,575 |
| | Retailers 5.1% | | | | |
| 2,330,000 | Amscan Holdings, Inc., Senior Subordinated Note | | | | |
| | 8.750%, 5/01/2014 | CCC | Caa | NR | 2,091,175 |
| 1,415,000 | Dollarama Group, LP, Senior Subordinated Note, 144A | | | | |
| | 8.875%, 8/15/2012 | B | B | NR | 1,429,150 |
| 2,045,000 | JC Penney Corp., Note | | | | |
| | 8.125%, 4/01/2027 | BB | Baa | BBB | 2,134,469 |
| 1,435,000 | Jean Coutu Group, Inc., Senior Subordinated Note | | | | |
| | 8.500%, 8/01/2014 | B | Caa | NR | 1,316,613 |
| 2,565,000 | Movie Gallery, Inc., Senior Note | | | | |
| | 11.000%, 5/01/2012 | CCC | Caa | NR | 1,269,675 |
| 730,000 | Stripes Acquisition LLC/Susser Finance Corp., Senior Note, 144A | | | | |
| | 10.625%, 12/15/2013 | B | B | NR | 765,588 |
| | | | | | 9,006,670 |
| | Telephone Systems 7.9% | | | | |
| 640,000 | American Cellular Corp., Series B, Senior Note | | | | |
| | 10.000%, 8/01/2011 | B | B | NR | 694,400 |
| 1,331,583 | Calpoint Receivables Structured Trust 2001, Note, 144A | | | | |
| | 7.440%, 12/10/2006 | NR | B | CCC | 1,334,912 |
| 2,635,000 | Centennial Cellular Operating Co./Centennial Communications Corp., Guaranteed Senior Note | | | | |
| | 10.125%, 6/15/2013 | CCC | B | NR | 2,878,738 |
| 35,000 | Dobson Cellular Systems, Senior Note | | | | |
| | 8.375%, 11/01/2011 | B | B | NR | 37,013 |
| 2,740,000 | Dobson Communications Corp., Senior Note | | | | |
| | 8.875%, 10/01/2013 | CCC | Caa | NR | 2,753,700 |
| 1,300,000 | Nextel Communications, Inc., Series E, Senior Note | | | | |

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| | | | | | |
|-----------|--|----|-----|-----|------------|
| | 6.875%, 10/31/2013 | A | Baa | BBB | 1,341,306 |
| 3,880,000 | Qwest Corp., Note | | | | |
| | 8.875%, 3/15/2012 | BB | Ba | BB | 4,335,900 |
| 665,000 | Rogers Wireless Communications, Inc., Senior Secured Note | | | | |
| | 7.500%, 3/15/2015 | BB | Ba | BB | 713,213 |
| | | | | | 14,089,182 |
| | Textiles, Clothing & Fabrics 0.6% | | | | |
| 1,075,000 | Quiksilver, Inc., Senior Note | | | | |
| | 6.875%, 4/15/2015 | BB | B | NR | 1,045,438 |
| | Transportation 3.8% | | | | |
| 2,640,000 | Grupo Transportacion Ferroviaria Mexicana SA de CV, Senior Note | | | | |
| | 9.375%, 5/01/2012 | B | B | B | 2,904,000 |

| | | | | | |
|-----------|--|----|----|----|--------------|
| 175,000 | Stena AB, Note | | | | |
| | 9.625%, 12/01/2012 | BB | Ba | NR | 190,750 |
| 2,055,000 | Stena AB, Senior Note | | | | |
| | 7.000%, 12/01/2016 | BB | Ba | NR | 1,931,700 |
| 1,675,000 | Stena AB, Senior Note | | | | |
| | 7.500%, 11/01/2013 | BB | Ba | NR | 1,654,063 |
| | | | | | 6,680,513 |
| | Total Corporate Debt (Identified Cost \$255,719,554) | | | | 258,457,903 |
| | Total Investments 146.0% (Identified Cost \$257,014,938) | | | | |
| | (a) | | | | 259,862,903 |
| | Other Assets, Less Liabilities 4.7% | | | | 8,439,870 |
| | Money Market Cumulative Preferred Shares plus cumulative unpaid dividends (50.7%) | | | | (90,260,288) |
| | Total Net Assets Applicable to Common Shareholders 100% | | | \$ | 178,042,485 |

Notes to Schedule of
Investments

- (a) Federal Tax Information:
At March 31, 2006, the net unrealized appreciation on investments based on cost of \$257,535,480 for federal income tax purposes was as follows:
- | | |
|--|-------------|
| Aggregate gross unrealized appreciation for all investments in which there is an excess of value over tax cost | \$6,153,467 |
| Aggregate gross unrealized depreciation for all investments in which there is an excess of tax cost over value | (3,826,044) |
| Net unrealized appreciation | \$2,327,423 |
- (b) Denotes a step-up bond: a zero coupon bond that converts to a fixed rate of interest at a designated future date.
- FRN Floating rate note. Rate shown is rate in effect at March 31, 2006.
- 144A Securities exempt from registration under Rule 144A of the Securities Act of 1933. These securities may be resold in transactions exempt from registration, normally to qualified institutional buyers under Rule 144A, and have been deemed by the adviser to be liquid. At the period end, the value of 144A securities amounted to \$65,775,184 or 36.9% of net assets applicable to common shareholders.

Valuation: Debt securities 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 the adviser to be reflective of a security's market value, are valued at fair value as determined in good faith under consistently applied procedures established by and applied 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 and 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 or premium.

Reverse Repurchase Agreements: The fund is permitted to enter into reverse repurchase agreements with banks or securities firms deemed creditworthy by the adviser. A reverse repurchase agreement involves the sale of a security by the fund, with an agreement to repurchase the same or a substantially similar security at an agreed upon price and date. Securities purchased subject to repurchase agreements must have an aggregate market value greater than or equal to the repurchase price plus accrued interest at all times. Reverse repurchase agreements involve the risk that the market value of the securities purchased with the proceeds from the sale of securities received by the fund may decline below the price of the securities that the fund is obligated to repurchase. There were no reverse repurchase agreements outstanding at March 31, 2006.

Interest Rate Swap Contracts: The fund may enter into interest rate swap transactions. A swap is an agreement to exchange the return generated by one instrument for the return generated by another instrument. The fund may enter into interest rate swap agreements to manage its exposure to interest rate risk. Interest rate swap contracts involve the exchange by the fund with another party of their respective commitments to pay or receive interest. Swaps are marked to market daily based upon quotations from market makers and the change in value, if any, is recorded as unrealized gain or loss in the Statement of Operations. Net payments of interest on interest rate swap contracts are included as part of realized gain or loss. Entering into these agreements involves, to varying degrees, elements of credit and market risk in excess of the amounts recognized on the Statement of Assets and Liabilities. Such risks involve the possibility that there will be no liquid market for these agreements, that the counterparty to these agreements may default on its obligation to perform and that there may be unfavorable changes in interest rates. At March 31, 2006, the fund had the following open swap agreements:

| Notional Amount | Expiration Date | Description | Net Unrealized Appreciation |
|-----------------|-----------------|---|-----------------------------|
| \$ 22,500,000 | 03/15/07 | Agreement with Citibank N.A. dated 03/11/04 to pay the notional amount multiplied by 2.27% and to receive the notional amount multiplied by the 1 month U.S. Dollars London Interbank Offered Rate - British Bankers Association (USD LIBOR BBA). | \$ 635,314 |

| | | | | | |
|----|------------|----------|---|----|---------|
| \$ | 22,500,000 | 09/28/07 | Agreement with Citibank N.A. dated 09/24/04 to pay the notional amount multiplied by 3.22% and to receive the notional amount multiplied by the 1 month U.S. Dollars London Interbank Offered Rate British Bankers Association (USD LIBOR BBA). | \$ | 634,454 |
|----|------------|----------|---|----|---------|

Periodically, the fund receives from or deposits, with the counter party, a specific amount of cash equal to the market value of the interest rate swap contracts. At March 31, 2006, the fund had \$1,226,000 payable for collateral on interest rate swap contracts under this arrangement.

Item 2. Controls and Procedures.

(a) The Registrant's Chief Executive Officer and Chief Financial Officer concluded that the Registrant's disclosure controls and procedures (as defined in Rule 30a-3(c) under the Investment Company Act of 1940, as amended (the "1940 Act")) were effective as of a date within 90 days prior to the filing date of this report (the "Evaluation Date"), based on their evaluation of the effectiveness of the Registrant's disclosure controls and procedures as of the Evaluation Date.

(b) There were no significant changes in the Registrant's internal control 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.

(a) Certification of Principal Executive Officer and Principal Financial Officer of the Registrant as required by Rule 30a-2(a) under the Investment Company Act of 1940 is attached hereto as Exhibit 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.

Lehman Brothers First Trust Income Opportunity Fund

By: /s/ Bradley Tank

Bradley Tank, President/Chief Executive Officer

Date 05/18/06

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/ Bradley Tank

Bradley Tank, President/Chief Executive Officer

Date 05/18/06

By: /s/ Edward Grieb

Edward Grieb, Treasurer/Chief Financial Officer

Date 05/18/06