

LEHMAN BROTHERS FIRST TRUST INCOME OPPORTUNITY FUND
Form N-Q
May 30, 2008

As filed with the Securities and Exchange Commission on May 30, 2008

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)
605 Third Avenue, 2nd Floor
New York, New York 10158-0180
(Address of Principal Executive Offices - Zip Code)

Registrant's telephone number, including area code: (212) 476-8800

Peter E. Sundman, Chief Executive Officer
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, 2008

Form N-Q is to be used by management investment companies, other than small business investment companies registered on Form N-5 (section 239.24 and 274.5 of this chapter), 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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SCHEDULE OF INVESTMENTS Lehman Brothers First Trust Income Opportunity Fund

(UNAUDITED)

| PRINCIPAL AMOUNT(\$) | | RATING |
|------------------------------------|--|-------------|
| | | Moody's S&P |
| CORPORATE DEBT SECURITIES (149.7%) | | |
| AEROSPACE/DEFENSE (2.8%) | | |
| 3,705,000 | L-3 Communications Corp., Guaranteed Senior Unsecured Subordinated Notes, 7.63%, due 6/15/12 | Ba3 BB+ |
| 165,000 | L-3 Communications Corp., Guaranteed Senior Unsecured Subordinated Notes, 6.13%, due 7/15/13 | Ba3 BB+ |
| 340,000 | L-3 Communications Corp., Guaranteed Notes, Ser. B, 6.38%, due 10/15/15 | Ba3 BB+ |
| AIRLINES (1.7%) | | |
| 2,897,923 | Continental Airlines, Inc., Pass-Through Certificates, 9.80%, due 4/1/21 | Ba1 BB+ |
| APPAREL/TEXTILES (1.2%) | | |
| 1,810,000 | Levi Strauss & Co., Senior Unsubordinated Notes, 9.75%, due 1/15/15 | B2 B+ |
| AUTO LOANS (6.2%) | | |
| 265,000 | Ford Motor Credit Co., Senior Unsecured Notes, 9.75%, due 9/15/10 | B1 B |
| 3,130,000 | Ford Motor Credit Co., Senior Unsecured Notes, 7.38%, due 2/1/11 | B1 B |
| 1,940,000 | Ford Motor Credit Co., Senior Unsecured Notes, 7.25%, due 10/25/11 | B1 B |
| 1,290,000 | Ford Motor Credit Co., Senior Unsecured Notes, 7.80%, due 6/1/12 | B1 B |
| 5,265,000 | General Motors Acceptance Corp., Senior Unsecured Notes, 6.88%, due 9/15/11 | B1 B+ |
| AUTO PARTS & EQUIPMENT (0.8%) | | |
| 1,002,000 | Goodyear Tire & Rubber Co., Guaranteed Notes, 8.63%, due 12/1/11 | Ba3 BB- |
| 115,000 | Goodyear Tire & Rubber Co., Senior Unsecured Notes, 9.00%, due 7/1/15 | Ba3 BB- |
| BEVERAGE (1.8%) | | |
| 1,970,000 | Constellation Brands, Inc., Guaranteed Notes, 8.38%, due 12/15/14 | Ba3 BB- |
| 720,000 | Constellation Brands, Inc., Guaranteed Notes, 7.25%, due 9/1/16 | Ba3 BB- |
| CHEMICALS (4.3%) | | |
| 1,680,000 | Hexion US Finance Corp., Senior Secured Notes, 9.75%, due 11/15/14 | B3 B |
| 1,930,000 | MacDermid, Inc., Senior Subordinated Notes, 9.50%, | |

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| | | | | |
|-------------------------------|---|--|------|------|
| | due 4/15/17 | | Caa1 | CCC+ |
| 3,450,000 | Momentive Performance Materials, Inc., Guaranteed Notes, 10.13%, due 12/1/14 | | B3 | B |
| ELECTRIC - GENERATION (15.1%) | | | | |
| 1,330,000 | AES Corp., Senior Secured Notes, 8.75%, due 5/15/13 | | Ba3 | BB+ |
| 510,000 | AES Corp., Senior Unsecured Notes, 7.75%, due 10/15/15 | | B1 | BB- |
| 1,185,000 | AES Corp., Senior Unsecured Notes, 8.00%, due 10/15/17 | | B1 | BB- |

See Notes to Schedule of Investments

SCHEDULE OF INVESTMENTS Lehman Brothers First Trust Income Opportunity Fund cont'd

(UNAUDITED)

| PRINCIPAL AMOUNT(\$) | | RATING | |
|--|---|---------|-----|
| | | Moody's | S&P |
| 5,415,000 | Dynergy-Roseton Danskamme, Pass-Through Certificates, Ser. B, 7.67%, due 11/8/16 | Ba3 | B |
| 5,130,000 | Edison Mission Energy, Senior Unsecured Notes, 7.63%, due 5/15/27 | B1 | BB- |
| 3,700,000 | Mirant Americas Generation, Inc., Senior Unsecured Notes, 8.30%, due 5/1/11 | B3 | B- |
| 2,515,000 | Mirant Americas Generation, Inc., Senior Unsecured Notes, 8.50%, due 10/1/21 | B3 | B- |
| 3,685,000 | NRG Energy, Inc., Guaranteed Notes, 7.38%, due 2/1/16 | B1 | B |
| ELECTRIC - INTEGRATED (8.4%) | | | |
| 2,595,000 | Energy Future Holdings Corp., Guaranteed Notes, 10.88%, due 11/1/17 | B3 | B- |
| 10,420,000 | Texas Competitive Electric Holdings Co. LLC, Guaranteed Notes, 10.50%, due 11/1/16 | B3 | CCC |
| ELECTRONICS (4.2%) | | | |
| 1,640,000 | Flextronics Int'l, Ltd., Senior Subordinated Notes, 6.25%, due 11/15/14 | Ba2 | BB- |
| 2,470,000 | Freescale Semiconductor, Inc., Guaranteed Notes, 9.13%, due 12/15/14 | B2 | B- |
| 1,295,000 | NXP BV Funding LLC, Guaranteed Floating Rate Notes, 7.01%, due 4/15/08 | Ba3 | BB- |
| 2,275,000 | NXP BV Funding LLC, Guaranteed Notes, 7.88%, due 10/15/14 | Ba3 | BB- |
| ENERGY-EXPLORATION & PRODUCTION (5.5%) | | | |
| 3,905,000 | Chesapeake Energy Corp., Guaranteed Notes, 7.50%, due 9/15/13 | Ba3 | BB |
| 1,770,000 | Chesapeake Energy Corp., Guaranteed Notes, 6.88%, due 1/15/16 | Ba3 | BB |
| 1,350,000 | Pioneer Natural Resources Co., Senior Unsecured Notes, 6.65%, due 3/15/17 | Ba1 | BB+ |
| 1,310,000 | Southwestern Energy Co., Senior Unsecured Notes, 7.50%, due 2/1/18 | Ba2 | BB+ |

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| | | | |
|------------------------------|--|------|------|
| ENVIRONMENTAL (0.9%) | | | |
| 1,375,000 | Allied Waste North America, Inc., Senior Secured Notes, Ser. B, 7.25%, due 3/15/15 | B1 | BB |
| FOOD & DRUG RETAILERS (1.3%) | | | |
| 1,175,000 | Rite Aid Corp., Guaranteed Notes, 8.63%, due 3/1/15 | Caa1 | CCC+ |
| 1,485,000 | Rite Aid Corp., Guaranteed Notes, 9.50%, due 6/15/17 | Caa1 | CCC+ |
| GAMING (5.1%) | | | |
| 765,000 | Chukchansi Economic Development Authority, Senior Unsecured Notes, 8.00%, due 11/15/13 | B2 | BB- |
| 1,025,000 | Fontainebleau Las Vegas Holdings LLC, Second Mortgage, 10.25%, due 6/15/15 | Caa1 | CCC+ |
| 260,000 | Harrah's Operating Co., Inc., Guaranteed Notes, 5.50%, due 7/1/10 | Caa1 | B- |
| 1,781,000 | Pokagon Gaming Authority, Senior Notes, 10.38%, due 6/15/14 | B3 | B |
| 2,105,000 | San Pasqual Casino, Notes, 8.00%, due 9/15/13 | B2 | BB- |

See Notes to Schedule of Investments

SCHEDULE OF INVESTMENTS Lehman Brothers First Trust Income Opportunity Fund cont'd

(UNAUDITED)

| PRINCIPAL AMOUNT(\$) | | RATING | |
|--------------------------|--|---------|------|
| | | Moody's | S&P |
| 2,600,000 | Shingle Springs Tribal Gaming Authority, Senior Notes, 9.38%, due 6/15/15 | B3 | B |
| GAS DISTRIBUTION (13.8%) | | | |
| 1,380,000 | AmeriGas Partners L.P., Senior Notes, 7.13%, due 5/20/16 | B1 | |
| 2,315,000 | El Paso Natural Gas Co., Senior Unsecured Notes, 8.38%, due 6/15/32 | Baa3 | BB |
| 1,635,000 | Ferrellgas Partners L.P., Senior Unsecured Notes, 8.75%, due 6/15/12 | B2 | B- |
| 5,700,000 | Kinder Morgan, Inc., Senior Unsecured Notes, 6.50%, due 9/1/12 | Ba1 | BB |
| 2,285,000 | Regency Energy Partners L.P., Guaranteed Notes, 8.38%, due 12/15/13 | B1 | B |
| 810,000 | Sabine Pass L.P., Senior Secured Notes, 7.25%, due 11/30/13 | Ba3 | BB |
| 4,645,000 | Sabine Pass L.P., Senior Secured Notes, 7.50%, due 11/30/16 | Ba3 | BB |
| 2,025,000 | Transcontinental Gas Pipe Line, Senior Unsecured Notes, 7.25%, due 12/1/26 | Baa2 | BBB- |
| HEALTH SERVICES (17.8%) | | | |
| 3,230,000 | HCA, Inc., Senior Secured Notes, 9.25%, due 11/15/16 | B2 | BB- |
| 6,795,000 | HCA, Inc., Senior Secured Notes, 9.63%, due 11/15/16 | B2 | BB- |
| 3,220,000 | LVB Acquisition Merger, Inc., Guaranteed Notes, 10.38%, due 10/15/17 | B3 | B- |

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| | | | |
|---|--|------|------|
| 1,920,000 | LVB Acquisition Merger, Inc., Guaranteed Notes, 11.63%, due 10/15/17 | Caa1 | B- |
| 2,373,881 | NMH Holdings, Inc., Senior Unsecured Floating Rate Notes, 9.93%, due 6/15/08 | Caa2 | CCC+ |
| 4,115,000 | Service Corp. Int'l, Senior Unsecured Notes, 7.50%, due 4/1/27 | B1 | BB- |
| 2,175,000 | US Oncology, Inc., Guaranteed Notes, 9.00%, due 8/15/12 | B2 | B- |
| 520,000 | Ventas Realty L.P., Senior Notes, 6.63%, due 10/15/14 | Ba1 | BBB- |
| 2,015,000 | Ventas Realty L.P., Guaranteed Notes, 6.50%, due 6/1/16 | Ba1 | BBB- |
| 1,310,000 | Ventas Realty L.P., Guaranteed Notes, 6.75%, due 4/1/17 | Ba1 | BBB- |
| HOTELS (0.8%) | | | |
| 1,215,000 | Host Hotels & Resorts L.P., Senior Secured Notes, 7.13%, due 11/1/13 | Ba1 | BB |
| INVESTMENTS & MISC. FINANCIAL SERVICES (2.2%) | | | |
| 2,675,000 | Cardtronics, Inc., Guaranteed Notes, 9.25%, due 8/15/13 | Caa1 | B- |
| 910,000 | Cardtronics, Inc., Senior Subordinated Notes, Ser. B, 9.25%, due 8/15/13 | Caa1 | B- |
| LEISURE (1.1%) | | | |
| 1,980,000 | Royal Caribbean Cruises, Senior Unsecured Notes, 7.50%, due 10/15/27 | Ba1 | BB+ |

See Notes to Schedule of Investments

SCHEDULE OF INVESTMENTS Lehman Brothers First Trust Income Opportunity Fund cont'd

(UNAUDITED)

| PRINCIPAL AMOUNT(\$) | | RATING | |
|--------------------------|--|---------|-----|
| | | Moody's | S&P |
| MEDIA - BROADCAST (4.9%) | | | |
| 4,270,000 | CMP Susquehanna Corp., Guaranteed Notes, 9.88%, due 5/15/14 | Caa1 | CCC |
| 3,415,000 | LIN Television Corp., Guaranteed 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+ |
| 1,140,000 | Univision Communications, Inc., Guaranteed Notes, 9.75%, due 3/15/15 | B3 | CCC |
| MEDIA - CABLE (5.8%) | | | |
| 550,000 | CCH I Holdings LLC, Senior Secured Notes, 11.00%, due 10/1/15 | Caa2 | CCC |
| 4,310,000 | DirectTV Holdings LLC, Guaranteed Notes, 8.38%, due 3/15/13 | Ba3 | BB- |
| 1,880,000 | EchoStar DBS Corp., Guaranteed Notes, 6.38%, due 10/1/11 | Ba3 | BB- |
| 185,000 | EchoStar DBS Corp., Guaranteed Notes, 7.00%, due 10/1/13 | Ba3 | BB- |
| 2,495,000 | Mediacom Broadband LLC, Senior Unsecured Notes, 8.50%, due 10/15/15 | B3 | B- |
| MEDIA - SERVICES (2.4%) | | | |
| 1,215,000 | Lamar Media Corp., Guaranteed Notes, 7.25%, due 1/1/13 | Ba3 | BB- |

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| | | | |
|--------------------------------------|--|------|------|
| 2,170,000 | WMG Acquisition Corp., Senior Subordinated Notes, 7.38%, due 4/15/14 | B3 | B |
| 1,750,000 | WMG Holdings Corp., Guaranteed Notes, Step-Up, 0.00%/9.50%, -%, due 12/15/14 | B3 | B |
| METALS/MINING EXCLUDING STEEL (6.4%) | | | |
| 1,670,000 | Aleris Int'l, Inc., Guaranteed Notes, 9.00%, due 12/15/14 | B3 | B- |
| 2,065,000 | Arch Western Finance Corp., Senior Secured Notes, 6.75%, due 7/1/13 | B1 | BB- |
| 520,000 | Freeport-McMoRan Copper & Gold, Senior Unsecured Notes, 8.39%, due 4/1/08 | Ba2 | BBB- |
| 425,000 | Freeport-McMoRan Copper & Gold, Senior Unsecured Notes, 8.25%, due 4/1/15 | Ba2 | BBB- |
| 1,500,000 | Freeport-McMoRan Copper & Gold, Senior Unsecured Notes, 8.38%, due 4/1/17 | Ba2 | BBB- |
| 3,995,000 | Massey Energy Co., Guaranteed Notes, 6.88%, due 12/15/13 | B2 | B+ |
| NON-FOOD & DRUG RETAILERS (0.4%) | | | |
| 745,000 | Blockbuster, Inc., Guaranteed Notes, 9.00%, due 9/1/12 | Caa2 | CCC |
| PACKAGING (5.2%) | | | |
| 5,030,000 | Ball Corp., Guaranteed Unsecured 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 |
| 1,830,000 | Graham Packaging Co., Inc., Guaranteed Notes, 9.88%, due 10/15/14 | Caa1 | CCC+ |

See Notes to Schedule of Investments

SCHEDULE OF INVESTMENTS Lehman Brothers First Trust Income Opportunity Fund cont'd

(UNAUDITED)

| PRINCIPAL AMOUNT (\$) | | RATING | |
|--------------------------------|--|---------|------|
| | | Moody's | S&P |
| PRINTING & PUBLISHING (3.1%) | | | |
| 2,335,000 | Dex Media West LLC, Senior Subordinated Notes, Ser. B, 9.88%, due 8/15/13 | B1 | BB- |
| 905,000 | Idearc, Inc., Guaranteed Notes, 8.00%, due 11/15/16 | B3 | BB- |
| 855,000 | R.H. Donnelley Corp., Senior Unsecured Notes, 6.88%, due 1/15/13 | B3 | B |
| 2,335,000 | Reader's Digest Association, Inc., Senior Subordinated Notes, 9.00%, due 2/15/17 | Caa1 | CCC |
| RAILROADS (1.3%) | | | |
| 1,880,000 | TFM SA de C.V., Senior Unsubordinated Notes, 9.38%, due 5/1/12 | B2 | |
| REAL ESTATE DEV. & MGT. (2.0%) | | | |
| 1,820,000 | American Real Estate Partners L.P., Senior Unsecured Notes, 8.13%, due 6/1/12 | Ba3 | BBB- |

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| | | | |
|---------------------------------------|--|------|------|
| 1,470,000 | American Real Estate Partners L.P., Guaranteed Notes, 7.13%, due 2/15/13 | Ba3 | BBB- |
| RESTAURANTS (0.9%) | | | |
| 1,435,000 | NPC Int'l, Inc., Guaranteed Notes, 9.50%, due 5/1/14 | Caa1 | B- |
| SOFTWARE/SERVICES (3.9%) | | | |
| 3,955,000 | First Data Corp., Guaranteed Notes, 9.88%, due 9/24/15 | B3 | B |
| 2,635,000 | Sungard Data Systems, Inc., Guaranteed Notes, 10.25%, due 8/15/15 | Caa1 | B- |
| STEEL PRODUCERS/PRODUCTS (2.8%) | | | |
| 1,620,000 | Metals U.S.A. Holdings Corp., Senior Unsecured Floating Rate Notes, 10.83%, due 4/1/08 | Caa1 | CCC |
| 1,365,000 | Steel Dynamics, Inc., Senior Notes, 7.38%, due 11/1/12 | Ba2 | BB+ |
| 2,005,000 | Tube City IMS Corp., Guaranteed Notes, 9.75%, due 2/1/15 | B3 | B- |
| SUPPORT - SERVICES (1.6%) | | | |
| 2,600,000 | Knowledge Learning Corp., Inc., Guaranteed Notes, 7.75%, due 2/1/15 | B2 | B |
| TELECOM - INTEGRATED/SERVICES (10.8%) | | | |
| 1,440,000 | Dycom Industries, Inc., Guaranteed Notes, 8.13%, due 10/15/15 | Ba3 | BB- |
| 2,200,000 | Intelsat Bermuda Ltd., Guaranteed Notes, 9.25%, due 6/15/16 | B3 | BB- |
| 2,225,000 | Intelsat Subsidiary Holdings Co. Ltd., Guaranteed Notes, 8.25%, due 1/15/13 | B3 | BB- |
| 395,000 | Intelsat Subsidiary Holdings Co. Ltd., Guaranteed Notes, 8.63%, due 1/15/15 | B3 | BB- |
| 3,215,000 | Nextel Communications, Inc., Guaranteed Notes, Ser. E, 6.88%, due 10/31/13 | Baa3 | BBB- |
| 2,520,000 | Nordic Telephone Co. Holdings, Senior Secured Notes, 8.88%, due 5/1/16 | B2 | B |
| 2,960,000 | Qwest Corp., Senior Unsecured Notes, 8.88%, due 3/15/12 | Ba1 | BBB- |

See Notes to Schedule of Investments

SCHEDULE OF INVESTMENTS Lehman Brothers First Trust Income Opportunity Fund cont'd

(UNAUDITED)

| PRINCIPAL AMOUNT(\$) | | RATING | |
|---------------------------------|---|---------|------|
| | | Moody's | S&P |
| 600,000 | Qwest Corp., Senior Unsecured Notes, 7.50%, due 10/1/14 | Ba1 | BBB- |
| 1,230,000 | Sprint Capital Corp., Guaranteed Notes, 6.88%, due 11/15/28 | Baa3 | BBB- |
| 760,000 | Windstream Corp., Guaranteed Notes, 8.63%, due 8/1/16 | Ba3 | BB |
| THEATERS & ENTERTAINMENT (1.3%) | | | |
| 1,960,000 | AMC Entertainment, Inc., Guaranteed Notes, Ser. B, 8.63%, due 8/15/12 | Ba3 | B- |

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TRANSPORTATION EXCLUDING AIR/RAIL (1.9%)

| | | | |
|-----------|---|------|-----|
| 1,080,000 | ERAC USA Finance Co., Guaranteed Notes, 6.38%, due 10/15/17 | Baa2 | BBB |
| 2,420,000 | ERAC USA Finance Co., Guaranteed Notes, 7.00%, due 10/15/37 | Baa2 | BBB |

TOTAL CORPORATE DEBT SECURITIES (COST \$238,183,346)

NUMBER OF SHARES

SHORT-TERM INVESTMENTS (6.9%)

| | |
|------------|---|
| 10,096,794 | Neuberger Berman Prime Money Fund Trust Class |
| 448,611 | Neuberger Berman Securities Lending Quality Fund, LLC |

TOTAL SHORT-TERM INVESTMENTS (COST \$10,553,114)

TOTAL INVESTMENTS (156.6%) (COST \$248,736,460)

Cash, receivables and other assets, less liabilities (2.4%)

Money Market Cumulative Preferred Shares [(59.0%)]

TOTAL NET ASSETS (100.0%)

See Notes to Schedule of Investments

MARCH 31, 2008 (UNAUDITED)

NOTES TO SCHEDULE OF INVESTMENTS

(+) Investments in debt securities by Lehman Brothers First Trust Income Opportunity Fund (the "Fund") are valued daily by obtaining valuations from independent pricing services based on readily available bid quotations, or if quotations are not available, by methods which include considerations such as: yields or prices of securities of comparable quality, coupon, maturity and type; indications as to values from dealers; and general market conditions. If a valuation is not available from an independent pricing service, the Fund seeks to obtain quotations from principal market makers. If market quotations are not readily available, securities are valued by methods the Board of Trustees of the Fund (the "Board") has approved on the belief that they reflect fair value. Numerous factors may be considered when determining the fair value of a security, including available analyst, media or other reports, trading in futures or ADRs and whether the issuer of the security being fair valued has other securities outstanding. Fair value prices are necessarily estimates, and there is no assurance that such a price will be at or close to the price at which the security is next quoted or next trades. 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, 2008, the cost of investments for U.S. federal income tax purposes was \$249,613,717. Gross unrealized appreciation of investments was \$1,866,363 and gross unrealized depreciation of investments was

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\$12,489,325, resulting in net unrealized depreciation of \$10,622,962, based on cost for U.S. federal income tax purposes.

- (++) Managed by an affiliate of Neuberger Berman Management Inc. and could be deemed an affiliate of the Fund
- (@) 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 under the Securities Act of 1933, as amended, and have been deemed by the investment manager to be liquid. At March 31, 2008, these securities amounted to approximately \$47,744,091 or 31.3% 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.
- (u) Floating rate securities are securities whose yields vary with a designated market index or market rate. These securities are shown at their current rates as of March 31, 2008.
- (E) All or a portion of this security is on loan.
- (OO) All or a portion of this security is segregated in connection with obligations for interest rate swap contracts and/or security lending.
- (@@) At March 31, 2008, the Fund had outstanding interest rate swap contracts as follows:

| SWAP COUNTER PARTY | NOTIONAL AMOUNT | TERMINATION DATE | RATE TYPE | | ACCRUED NET INTEREST RECEIVABLE (PAYABLE) |
|--------------------------|--------------------|---------------------|---|--|--|
| | | | FIXED-RATE PAYMENTS MADE BY THE FUND | VARIABLE- RATE PAYMENTS RECEIVED BY THE FUND (1) | |
| Citibank, N.A. | \$45,000,000 | January 28, 2011 | 2.92% | 2.6775% | \$(1,213) |

(1) 30 day LIBOR (London Interbank Offered Rate) at March 26, 2008.

The Fund adopted Financial Accounting Standards Board ("FASB") Statement of Financial Accounting Standards No. 157, Fair Value Measurements ("FAS 157"), effective January 1, 2008. In accordance with FAS 157, "fair value" is defined as the price that the Fund would receive upon selling an investment in an orderly transaction to an independent buyer in the principal or most advantageous market for the investment. Various inputs are used in determining the value of the Fund's investments. FAS 157 established a three-tier hierarchy of inputs to

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establish a classification of fair value measurements for disclosure purposes. The three-tier hierarchy of inputs is summarized in the three broad Levels listed below.

- o Level 1 - quoted prices in active markets for identical investments
- o Level 2 - other significant observable inputs (including quoted prices for similar investments, interest rates, prepayment speeds, credit risk, etc.)
- o Level 3 - significant unobservable inputs (including the Fund's own assumptions in determining the fair value of investments)

The inputs or methodology used for valuing an investment are not necessarily an indication of the risk associated with investing in those securities.

The following is a summary of the inputs used to value the Fund's investments as of March 31, 2008:

| VALUATION INPUTS | INVESTMENTS IN SECURITIES | OTHER FINANCIAL INSTRUMENTS* |
|-----------------------------|------------------------------|------------------------------------|
| Level 1 - Quoted Prices | \$ 10,540,919 | \$- |
| Level 2 - Other Significant | | |
| Observable Inputs | 225,812,726 | (351,315) |
| Level 3 - Significant | | |
| Unobservable Inputs | 2,637,110 | - |
| | ----- | ----- |
| TOTAL | \$ 238,990,755 | \$ (351,315) |
| | ----- | ----- |

*Other financial instruments include swap contracts.

Following is a reconciliation between the beginning and ending balances of investments in which significant unobservable inputs (Level 3) were used in determining value:

| | INVESTMENTS IN SECURITIES | OTHER FINANCIAL INSTRUMENTS |
|---|------------------------------|-----------------------------------|
| Balance as OF 12/31/07 | \$ 2,971,504 | \$- |
| Accrued discounts/premiums | - | - |
| Realized gain/loss and change in unrealized appreciation/depreciation | (304,727) | -* |
| Net purchases/sales | (29,667) | - |
| Net transfers in and/or out of Level 3 | - | - |
| | ----- | ----- |
| BALANCE, AS OF 03/31/08 | \$ 2,637,110 | \$- |
| | ----- | ----- |
| Net change in unrealized appreciation/depreciation from investments still held as of 03/31/08 | \$ (301,635) | \$- |

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*The realized gain/loss earned during the period ended March 31, 2008 for other financial instruments was \$0.

In March 2008, FASB issued Statement of Financial Accounting Standards No. 161, "Disclosures about Derivative Instruments and Hedging Activities" ("SFAS 161"). SFAS 161 is effective for fiscal years and interim periods beginning after November 15, 2008. SFAS 161 requires enhanced disclosures about funds' derivative and hedging activities. Management is currently evaluating the impact the adoption of SFAS 161 will have on the Fund's financial statement disclosures.

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

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 1940 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 27, 2008

Pursuant to the requirements of the Securities Exchange Act of 1934 and the

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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 27, 2008

By: /s/ John M. McGovern

John M. McGovern
Treasurer and Principal Financial
and Accounting Officer

Date: May 27, 2008