

LEHMAN BROTHERS FIRST TRUST INCOME OPPORTUNITY FUND

Form N-Q

November 26, 2008

As filed with the Securities and Exchange Commission on November 26, 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  
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(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.  
K&L Gates 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, 2008

Date of reporting period: September 30, 2008

Form N-Q is to be used by management investment companies, other than small business investment companies registered on Form N-5 (ss. 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. ss. 3507.

ITEM 1. SCHEDULE OF INVESTMENTS.

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SCHEDULE OF INVESTMENTS Lehman Brothers First Trust Income Opportunity Fund

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(UNAUDITED)

PRINCIPAL AMOUNT (\$)

BANK LOAN OBLIGATIONS (10.8%)

AUTOMOTIVE (0.7%)

1,350,000 General Motors Corp., Term Loan B, 5.16%, due 11/29/13

ELECTRIC - INTEGRATED (1.9%)

2,845,000 Texas Competitive Electric Holdings Co. LLC, Term Loan B3, 5.99% - 7.26%,  
due 10/10/14

HEALTH SERVICES (5.0%)

7,360,000 HCA, Inc., Term Loan A, 5.26%, due 11/18/12

MEDIA - CABLE (2.4%)

3,955,000 Charter Communications Operating LLC, Term Loan, 4.80%, due 3/6/14

PACKAGING (0.8%)

1,345,000 Berry Plastics Holding Corp., Term Loan C, 9.04%, due 4/3/15

TOTAL BANK LOAN OBLIGATIONS (COST \$15,393,663)

CORPORATE DEBT SECURITIES (148.8%)

AEROSPACE/DEFENSE (3.7%)

3,705,000 L-3 Communications Corp., Guaranteed Senior Unsecured Subordinated Notes,  
7.63%, due 6/15/12

165,000 L-3 Communications Corp., Guaranteed Senior Unsecured Subordinated Notes,  
6.13%, due 7/15/13

1,010,000 L-3 Communications Corp., Guaranteed Notes, Ser. B, 6.38%, due 10/15/15

AUTO LOANS (6.0%)

265,000 Ford Motor Credit Co., Senior Unsecured Notes, 9.75%, due 9/15/10

2,855,000 Ford Motor Credit Co., Senior Unsecured Notes, 7.38%, due 2/1/11

2,885,000 Ford Motor Credit Co., Senior Unsecured Notes, 7.25%, due 10/25/11

4,715,000 Ford Motor Credit Co., Senior Unsecured Notes, 7.80%, due 6/1/12

1,890,000 General Motors Acceptance Corp., Senior Unsecured Notes, 6.88%, due 9/15/11

AUTOMOTIVE (1.1%)

630,000 Ford Motor Co., Senior Unsecured Notes, 7.45%, due 7/16/31

1,930,000 General Motors Corp., Senior Unsecured Notes, 7.20%, due 1/15/11

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### BEVERAGE (1.0%)

1,270,000 Constellation Brands, Inc., Guaranteed Notes, 8.38%, due 12/15/14

### CHEMICALS (2.5%)

885,000 Airgas, Inc., Guaranteed Notes, 7.13%, due 10/1/18  
1,365,000 MacDermid, Inc., Senior Subordinated Notes, 9.50%, due 4/15/17  
1,505,000 Momentive Performance Materials, Inc., Guaranteed Notes, 10.13%, due 12/1/14

### ELECTRIC - GENERATION (13.1%)

2,278,000 AES Corp., Senior Secured Notes, 8.75%, due 5/15/13  
730,000 AES Corp., Senior Notes, 8.00%, due 6/1/20  
1,765,000 Dynegy Holdings, Inc., Senior Unsecured Notes, 7.75%, due 6/1/19  
5,990,000 Dynegy-Roseton Danskammer, Pass-Through Cert., Ser. B, 7.67%, due 11/8/16  
735,000 Edison Mission Energy, Senior Unsecured Notes, 7.50%, due 6/15/13  
4,410,000 Edison Mission Energy, Senior Unsecured Notes, 7.63%, due 5/15/27

See Notes to Schedule of Investments

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

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(UNAUDITED)

### PRINCIPAL AMOUNT (\$)

1,180,000 Mirant Americas Generation, Inc., Senior Unsecured Notes, 8.30%, due 5/1/11  
1,925,000 NRG Energy, Inc., Guaranteed Notes, 7.25%, due 2/1/14

### ELECTRIC - INTEGRATED (13.3%)

2,890,000 CMS Energy Corp., Senior Unsecured Notes, 6.88%, due 12/15/15  
7,570,000 Energy Future Holdings Corp., Guaranteed Notes, 11.25%, due 11/1/17  
1,770,000 Exelon Corp., Senior Unsecured Notes, 4.90%, due 6/15/15  
2,205,000 IPALCO Enterprises, Inc., Senior Secured Notes, 7.25%, due 4/1/16  
1,735,000 PPL Energy Supply LLC, Senior Unsecured Notes, 6.30%, due 7/15/13  
3,230,000 Texas Competitive Electric Holdings Co. LLC, Guaranteed Notes, 10.50%, due 11/1/14

### ELECTRONICS (3.1%)

2,090,000 Flextronics Int'l, Ltd., Senior Subordinated Notes, 6.25%, due 11/15/14  
2,535,000 Freescale Semiconductor, Inc., Guaranteed Notes, 9.13%, due 12/15/14  
980,000 NXP BV/NXP Funding LLC, Senior Secured Floating Rate Notes, 5.54%, due 10/15/08

### ENERGY-EXPLORATION & PRODUCTION (8.9%)

2,590,000 Chesapeake Energy Corp., Guaranteed Notes, 7.50%, due 9/15/13  
2,535,000 Chesapeake Energy Corp., Guaranteed Notes, 7.50%, due 6/15/14  
1,770,000 Chesapeake Energy Corp., Guaranteed Notes, 6.88%, due 1/15/16

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|           |   |
|-----------|---|
| 840,000   | Cimarex Energy Co., Guaranteed Notes, 7.13%, due 5/1/17                   |
| 640,000   | Newfield Exploration Co., Senior Subordinated Notes, 6.63%, due 4/15/16   |
| 2,660,000 | Pioneer Natural Resources Co., Senior Unsecured Notes, 6.65%, due 3/15/17 |
| 1,275,000 | Southwestern Energy Co., Senior Notes, 7.50%, due 2/1/18                  |

ENVIRONMENTAL (1.0%)

|           |  |
|-----------|--|
| 1,375,000 | Allied Waste North America, Inc., Senior Secured Notes, 7.25%, due 3/15/15 |
|-----------|--|

FOOD & DRUG RETAILERS (1.9%)

|           |   |
|-----------|---|
| 1,060,000 | Rite Aid Corp., Guaranteed Notes, 8.63%, due 3/1/15       |
| 700,000   | Rite Aid Corp., Senior Secured Notes, 10.38%, due 7/15/16 |
| 2,385,000 | Rite Aid Corp., Guaranteed Notes, 9.50%, due 6/15/17      |

GAMING (7.4%)

|           |   |
|-----------|---|
| 765,000   | Chukchansi Economic Development Authority, Senior Unsecured Notes, 8.00%, due 11/15/1 |
| 2,450,000 | FireKeepers Development Authority, Senior Secured Notes, 13.88%, due 5/1/15           |
| 575,000   | Fontainebleau Las Vegas Holdings LLC, Second Mortgage, 10.25%, due 6/15/15            |
| 905,000   | Harrah's Operating Co., Inc., Guaranteed Notes, 10.75%, due 2/1/16                    |
| 435,000   | Isle of Capri Casinos, Inc., Guaranteed Notes, 7.00%, due 3/1/14                      |
| 250,000   | MGM Mirage, Inc., Guaranteed Notes, 7.50%, due 6/1/16                                 |
| 1,781,000 | Pokagon Gaming Authority, Senior Notes, 10.38%, due 6/15/14                           |
| 1,755,000 | San Pasqual Casino, Notes, 8.00%, due 9/15/13   |
| 3,140,000 | Shingle Springs Tribal Gaming Authority, Senior Notes, 9.38%, due 6/15/15             |

GAS DISTRIBUTION (14.7%)

|           |  |
|-----------|--|
| 1,380,000 | AmeriGas Partners L.P., Senior Unsecured Notes, 7.13%, due 5/20/16   |
| 235,000   | El Paso Corp., Senior Unsecured Notes, 6.75%, due 5/15/09            |
| 1,530,000 | El Paso Natural Gas Co., Senior Unsecured Notes, 8.38%, due 6/15/32  |
| 1,462,000 | Ferrellgas L.P., Senior Unsecured Notes, 6.75%, due 5/1/14           |
| 1,635,000 | Ferrellgas Partners L.P., Senior Unsecured Notes, 8.75%, due 6/15/12 |
| 1,170,000 | Ferrellgas Partners L.P., Senior Notes, 6.75%, due 5/1/14            |

See Notes to Schedule of Investments

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

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(UNAUDITED)

PRINCIPAL AMOUNT(\$)

|           |   |
|-----------|---|
| 2,255,000 | Kinder Morgan, Inc., Senior Unsecured Notes, 6.50%, due 9/1/12        |
| 500,000   | Kinder Morgan, Inc., Senior Unsecured Notes, 5.15%, due 3/1/15        |
| 1,530,000 | MarkWest Energy Partners LP, Senior Notes, Ser. B, 8.75%, due 4/15/18 |
| 2,285,000 | Regency Energy Partners L.P., Guaranteed Notes, 8.38%, due 12/15/13   |
| 595,000   | Sabine Pass L.P., Senior Secured Notes, 7.25%, due 11/30/13           |

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4,380,000 Sabine Pass L.P., Senior Secured Notes, 7.50%, due 11/30/16  
2,025,000 Transcontinental Gas Pipe Line, Senior Unsecured Notes, 7.25%, due 12/1/26  
570,000 Williams Cos., Inc., Senior Unsecured Notes, 7.13%, due 9/1/11

### HEALTH SERVICES (13.2%)

255,000 DJO Finance LLC, Guaranteed Notes, 10.88%, due 11/15/14  
2,435,000 LVB Acquisition Merger, Inc., Guaranteed Notes, 10.38%, due 10/15/17  
2,030,000 LVB Acquisition Merger, Inc., Guaranteed Notes, 11.63%, due 10/15/17  
2,747,996 NMH Holdings, Inc., Senior Unsecured Floating Rate Notes, 9.94%, due 12/15/08  
4,045,000 Select Medical Corp., Guaranteed Notes, 7.63%, due 2/1/15  
4,115,000 Service Corp. Int'l, Senior Unsecured Notes, 7.50%, due 4/1/27  
115,000 Ventas Realty L.P., Guaranteed Notes, 6.75%, due 6/1/10  
750,000 Ventas Realty L.P., Senior Notes, 6.63%, due 10/15/14  
30,000 Ventas Realty L.P., Guaranteed Notes, 7.13%, due 6/1/15  
2,270,000 Ventas Realty L.P., Guaranteed Notes, 6.50%, due 6/1/16  
700,000 Ventas Realty L.P., Guaranteed Notes, 6.75%, due 4/1/17

### HOTELS (0.5%)

705,000 Host Hotels & Resorts L.P., Senior Secured Notes, 7.13%, due 11/1/13

### LEISURE (1.2%)

1,980,000 Royal Caribbean Cruises, Senior Unsecured Notes, 7.50%, due 10/15/27

### MEDIA - BROADCAST (3.1%)

3,680,000 CMP Susquehanna Corp., Guaranteed Notes, 9.88%, due 5/15/14  
2,000,000 LIN Television Corp., Guaranteed Notes, 6.50%, due 5/15/13  
520,000 LIN Television Corp., Guaranteed Notes, Ser. B, 6.50%, due 5/15/13

### MEDIA - CABLE (12.2%)

1,300,000 CCH II Holdings LLC, Guaranteed Notes, 10.25%, due 10/1/13  
7,290,000 DirectTV Holdings LLC, Guaranteed Notes, 8.38%, due 3/15/13  
2,460,000 EchoStar DBS Corp., Guaranteed Notes, 6.38%, due 10/1/11  
1,035,000 Mediacom Broadband LLC, Senior Unsecured Notes, 8.50%, due 10/15/15  
1,820,000 Shaw Communications, Inc., Senior Unsecured Notes, 7.20%, due 12/15/11  
490,000 Videotron Ltd., Guaranteed Notes, 6.88%, due 1/15/14  
2,070,000 Videotron Ltd., Guaranteed Notes, 9.13%, due 4/15/18

### MEDIA - SERVICES (0.7%)

1,155,000 WMG Acquisition Corp., Senior Subordinated Notes, 7.38%, due 4/15/14

### METALS/MINING EXCLUDING STEEL (4.7%)

875,000 Aleris Int'l, Inc., Guaranteed Notes, 9.00%, due 12/15/14  
1,515,000 Arch Western Finance Corp., Senior Secured Notes, 6.75%, due 7/1/13  
425,000 Freeport-McMoRan Copper & Gold, Senior Unsecured Notes, 8.25%, due 4/1/15  
105,000 Freeport-McMoRan Copper & Gold, Senior Unsecured Notes, 8.38%, due 4/1/17  
2,710,000 Massey Energy Co., Guaranteed Notes, 6.88%, due 12/15/13  
335,000 Peabody Energy Corp., Guaranteed Notes, Ser. B, 6.88%, due 3/15/13  
890,000 Peabody Energy Corp., Guaranteed Notes, 5.88%, due 4/15/16

See Notes to Schedule of Investments

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

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(UNAUDITED)

PRINCIPAL AMOUNT(\$)

NON-FOOD & DRUG RETAILERS (0.5%)

855,000 Blockbuster, Inc., Guaranteed Notes, 9.00%, due 9/1/12

PACKAGING (6.0%)

5,030,000 Ball Corp., Guaranteed Unsecured Notes, 6.88%, due 12/15/12  
315,000 Berry Plastics Corp., Senior Secured Floating Rate Notes, 7.54%, due 10/15/08  
965,000 Crown Americas LLC, Guaranteed Notes, 7.75%, due 11/15/15  
1,795,000 Graham Packaging Co., Inc., Guaranteed Notes, 9.88%, due 10/15/14

PRINTING & PUBLISHING (0.7%)

1,150,000 Dex Media West LLC, Senior Subordinated Notes, Ser. B, 9.88%, due 8/15/13  
905,000 Idearc, Inc., Guaranteed Notes, 8.00%, due 11/15/16

RAILROADS (0.6%)

805,000 TFM SA de C.V., Senior Unsubordinated Notes, 9.38%, due 5/1/12

REAL ESTATE DEV. & MGT. (1.3%)

1,690,000 American Real Estate Partners L.P., Senior Unsecured Notes, 8.13%, due 6/1/12  
385,000 American Real Estate Partners L.P., Guaranteed Notes, 7.13%, due 2/15/13

RESTAURANTS (0.7%)

1,035,000 NPC Int'l, Inc., Guaranteed Notes, 9.50%, due 5/1/14

SOFTWARE/SERVICES (2.0%)

775,000 Sungard Data Systems, Inc., Senior Unsecured Notes, 10.63%, due 5/15/15  
2,180,000 Sungard Data Systems, Inc., Guaranteed Notes, 10.25%, due 8/15/15

STEEL PRODUCERS/PRODUCTS (3.0%)

1,640,000 Metals U.S.A. Holdings Corp., Senior Unsecured Floating Rate Notes, 8.79%,  
due 10/1/08  
1,120,000 Steel Dynamics, Inc., Guaranteed Notes, 7.38%, due 11/1/12  
1,735,000 Tube City IMS Corp., Guaranteed Notes, 9.75%, due 2/1/15

SUPPORT - SERVICES (7.1%)

785,000 Cardtronics, Inc., Guaranteed Notes, Ser. B, 9.25%, due 8/15/13  
2,405,000 Cardtronics, Inc., Guaranteed Notes, 9.25%, due 8/15/13  
2,600,000 Knowledge Learning Corp., Inc., Guaranteed Notes, 7.75%, due 2/1/15  
1,890,000 Lender Processing Services, Inc., Senior Unsecured Notes, 8.13%, due 7/1/16  
2,580,000 United Rentals N.A., Inc., Guaranteed Notes, 6.50%, due 2/15/12

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TELECOM - INTEGRATED/SERVICES (8.7%)

1,440,000 Dycom Industries, Inc., Guaranteed Notes, 8.13%, due 10/15/15  
2,255,000 Intelsat Subsidiary Holdings Co. Ltd., Senior Unsecured Notes, 8.50%,  
due 1/15/13  
1,825,000 Nextel Communications, Inc., Guaranteed Notes, Ser. E, 6.88%, due 10/31/13  
2,622,000 Qwest Corp., Senior Unsecured Notes, 8.88%, due 3/15/12  
1,485,000 Sprint Capital Corp., Guaranteed Notes, 6.90%, due 5/1/19  
1,950,000 Sprint Capital Corp., Guaranteed Notes, 6.88%, due 11/15/28  
990,000 Sprint Nextel Corp., Senior Unsecured Notes, 6.00%, due 12/1/16  
915,000 Windstream Corp., Guaranteed Notes, 8.13%, due 8/1/13

TELECOM - WIRELESS (2.6%)

2,015,000 Rogers Cable, Inc., Guaranteed Notes, 5.50%, due 3/15/14

See Notes to Schedule of Investments

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

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(UNAUDITED)

PRINCIPAL AMOUNT(\$)

1,545,000 Rogers Wireless, Inc., Senior Secured Notes, 6.38%, due 3/1/14

THEATERS & ENTERTAINMENT (1.5%)

1,960,000 AMC Entertainment, Inc., Guaranteed Notes, Ser. B, 8.63%, due 8/15/12

TRANSPORTATION EXCLUDING AIR/RAIL (0.8%)

1,535,000 ERAC USA Finance Co., Guaranteed Notes, 7.00%, due 10/15/37

TOTAL CORPORATE DEBT SECURITIES (COST \$217,208,737)

NUMBER OF SHARES

SHORT-TERM INVESTMENTS (14.6%)

18,852,277 Neuberger Berman Prime Money Fund Trust Class (COST \$18,852,277)

TOTAL INVESTMENTS (174.2%) (COST \$251,454,677)

Liabilities, less cash, receivables and other assets [(4.5%)]

Liquidation Value of Auction Preferred Shares [(69.7%)]

TOTAL NET ASSETS (100.0%)

See Notes to Schedule of Investments

SEPTEMBER 30, 2008 (UNAUDITED)

NOTES TO SCHEDULE OF INVESTMENTS  
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(+) 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 such quotations are not readily available, securities are valued using 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.

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 a 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 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 September 30, 2008:

| VALUATION INPUTS                              | INVESTMENTS IN SECURITIES | OTHER FINANCIAL INSTRUMENTS* |
|---|---------------------------|------------------------------|
| Level 1 - Quoted Prices                       | \$ 18,852,277             | \$ -                         |
| Level 2 - Other Significant Observable Inputs | 205,985,913               | 546,043                      |
| Level 3 - Significant                         |                           |                              |



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|                     |               |           |
|---------------------|---------------|-----------|
| Unobservable Inputs | -             | -         |
|                     | -----         | -----     |
| TOTAL               | \$224,838,190 | \$546,043 |
|                     | =====         | =====     |

\*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 |
|---|---------------------------|
| BALANCE AS OF 12/31/07  | \$2,971,504               |
| Accrued discounts/premiums  | -                         |
| Realized gain/loss and change in unrealized appreciation/depreciation                         | (663,699)                 |
| Net purchases/sales   | (2,307,805)               |
| Net transfers in and/or out of Level 3  | -                         |
|   | -----                     |
| BALANCE AS OF 9/30/08   | \$-                       |
|   | =====                     |
| Net change in unrealized appreciation/depreciation from investments still held as of 09/30/08 | \$-                       |

(##) At September 30, 2008, the cost of investments for U.S. federal income tax purposes was \$252,285,640. Gross unrealized appreciation of investments was \$114,766 and gross unrealized depreciation of investments was \$27,562,216, resulting in net unrealized depreciation of \$27,447,450, based on cost for U.S. federal income tax purposes.

(@) Neuberger Berman Prime Money Fund ("Prime Money") is also managed by Neuberger Berman Management LLC. 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 September 30, 2008, these securities amounted to \$39,790,144 or 30.8% of net assets applicable to common shareholders.

(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 September 30, 2008.

(O) All or a portion of this security was purchased on a delayed delivery basis. At September 30, 2008, these securities amounted to \$13,984,797.

(OO) All or a portion of this security is segregated in connection with obligations for interest rate swap contracts and delayed delivery purchase commitments.

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(@@) At September 30, 2008, the Fund had outstanding interest rate swap contracts as follows:

| SWAP COUNTER PARTY | NOTIONAL AMOUNT | TERMINATION DATE | RATE TYPE                                      | VARIABLE-RATE                         | ACCRU                |
|--------------------|-----------------|------------------|--|---------------------------------------|----------------------|
|                    |                 |                  |  | PAYMENTS RECEIVED BY THE FUND [ (1) ] | INTE RECEI (PAY \$1, |
| Citibank, N.A.     | \$45,000,000    | January 28, 2011 | FIXED-RATE PAYMENTS MADE BY THE FUND<br>2.920% | 3.708%                                |                      |

(1) 30 day LIBOR (London Interbank Offered Rate) at September 25, 2008.

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.

(^) On November 12, 2008, the Fund redeemed all outstanding Money Market Cumulative Preferred Shares. On that date, the Fund privately placed notes with an aggregate principal amount of \$45,900,000 and perpetual preferred shares with an aggregate liquidation preference of \$12,300,000.

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

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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: November 17, 2008

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: November 17, 2008

By: /s/ John M. McGovern  
-----  
John M. McGovern  
Treasurer and Principal Financial and  
Accounting Officer

Date: November 17, 2008