LEHMAN BROTHERS FIRST TRUST INCOME OPPORTUNITY FUND Form N-Q November 29, 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)

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 Nicholson Graham LLP

1601 K Street, N.W., Washington, D.C. 20006-1600 (Names and Addresses of agents for service)

Registrant's telephone number, including area code:

(212) 476-8800

Date of fiscal year end: 12/31/2006

Date of reporting period: 09/30/2006

Item 1. Schedule of Investments.

The schedule of investments for the period ending September 30, 2006 is filed herewith.

Lehman Brothers First Trust Income Opportunity Fund SCHEDULE OF INVESTMENTS

September 30, 2006

(Unaudited)

Principa	1		S&P	Moody s	Fitch	
Amount		Description	Ratings	Ratings	Ratings	Value
Asset B	acked 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	NR	В	\$ 1,406,756
		Total Asset Backed Securities (Identified				
		Cost \$1,304,949)				1,406,756
	, ,	Certificates, Series 2000-1, Class A2 7.570%, 11/18/2010 Total Asset Backed Securities (Identified	BB	NR	В	. , .

Principal Amount		Description	S&P Ratings	Moody s Ratings	Fitch Ratings	Value
	te Debt 144.5% of To	•	Kaungs	Kaungs	Kaungs	value
Corpora		Automotive 17.8%				
\$	835,000	Ford Motor Co., Global Note				
ψ	055,000	7.450%, 7/16/2031	В	В	В	\$ 645,037
3,730,000)	Ford Motor Credit Co., Global Note	В	Ъ	Б	φ 0+3,037
5,750,000)	7.375%, 10/28/2009	В	В	BB	3,624,829
5,000,000)	Ford Motor Credit Co., Note	В	Ъ	DD	5,024,025
5,000,000	,	6.500%, 1/25/2007	В	В	BB	4,996,575
6,870,000)	Ford Motor Credit Co., Note, 144A	В	Ъ	DD	4,770,575
0,070,000)	9.750%, 9/15/2010	В	В	BB	7,093,096
5,475,000)	General Motors Acceptance Corp.,	В	Ъ		7,095,090
	,	Global Note				
		6.875%, 9/15/2011	BB	Ba	BB	5,445,993
1,300,000)	General Motors Acceptance Corp., Note	55	Du	55	5,115,775
1,200,000	,	8.000%, 11/01/2031	BB	Ba	BB	1,359,255
1,765,000)	General Motors Acceptance Corp., Senior	bb	Du	55	1,007,200
1,700,000	·	Note				
		7.000%, 2/01/2012	BB	Ba	BB	1,759,186
5,910,000)	General Motors Corp., Senior Note				-,,-,
-,, -0,000	-	8.250%, 7/15/2023	В	Caa	В	5,119,537
1,660,000)	Goodyear Tire & Rubber Co., Senior	_		_	-,,,
-,,,		Note				
		9.000%, 7/01/2015	В	В	CCC	1,684,900
						31,728,408
		Beverages, Food & Tobacco 0.6%				- ,,
1,120,000)	Le-Natures, Inc., Senior Subordinated				
		Note, 144A				
		10.000%, 6/15/2013	CCC	В	NR	1,153,600
		Chemicals 4.5%				
1,550,000)	AmeriGas Partners, LP, Senior Note				

	7.250%, 5/20/2015	NR	В	BB	1,544,187
670,000	AmeriGas Partners, LP/AP Eagle Finance	e			
	Corp., Senior Note				
	7.125%, 5/20/2016	NR	В	BB	659,950
1,270,000	Chemtura Corp., Note				
	6.875%, 6/01/2016	BB	Ba	NR	1,252,537
1,155,000	Equistar Chemicals, LP/Equistar Funding				
	Corp., Senior Note				
	10.625%, 5/01/2011	BB	В	BB	1,238,737
760,000	Lyondell Chemical Co., Senior Note				
	8.250%, 9/15/2016	В	В	BB	771,400
915,000	Methanex Corp., Senior Note				
	8.750%, 8/15/2012	BBB	Ba	BBB	985,912
1,745,000	PQ Corp., Senior Subordinated Note				
	7.500%, 2/15/2013	В	В	NR	1,657,750
					8,110,473
	Coal 3.8%				
2,650,000	Arch Western Finance LLC, Guaranteed				
	Senior Note				
	6.750%, 7/01/2013	BB	В	NR	2,544,000
3,240,000	Massey Energy Co., Senior Note				

	6.875%, 12/15/2013	В	В	NR	2,932,200
1,275,000	Peabody Energy Corp., Senior Note		~		
	6.875%, 3/15/2013	BB	Ba	BB	1,255,875
	Commercial Services 10.5%				6,732,075
1,375,000	Allied Waste North America Inc., Senior Note				
1,575,000	7.250%, 3/15/2015	BB	В	В	1,364,687
2,680,000	Cardtronics, Inc., Senior Subordinated Note, 144A	bb	D	D	1,501,007
_,,	9.500%, 8/15/2013	В	В	NR	2,747,000
2,000,000	Education Management LLC/Education Management				
	Corp., Senior Note, 144A				
	8.750%, 6/01/2014	CCC	В	NR	2,020,000
350,000	Education Management LLC/Education Management				
	Corp., Senior Note, 144A	000	0	ND	257.075
2 0 4 5 000	10.250%, 6/01/2016 Knowledge Learning Corr Inc. Serier Subardinated	CCC	Caa	NR	357,875
2,945,000	Knowledge Learning Corp., Inc., Senior Subordinated Note, 144A				
	7.750%, 2/01/2015	В	В	NR	2,753,575
3,105,000	Language Line, Inc., Senior Subordinated Note	2	2	1111	2,155,515
,,	11.125%, 6/15/2012	CCC	В	NR	3,019,612
3,105,000	Monitronics International, Inc., Senior Subordinated				
	Note				
	11.750%, 9/01/2010	В	В	NR	3,004,087
1,200,000	Service Corp. International/US, Senior Note, 144A		_		
	7.375%, 10/01/2014	BB	В	NR	1,207,500
1,020,000	Service Corp. International/US, Senior Note, 144A	DD	В	ND	1 026 275
1,385,000	7.625%, 10/01/2018 Service Corp. International/US, Senior Note, 144A	BB	В	NR	1,026,375
1,585,000	8.000%, 6/15/2017	BB	В	NR	1,326,137
	0.000 /0, 0 10/2017	55	D	1111	18,826,848
	Communications 5.3%				
1,335,000	Dycom Industries, Inc., Subordinated Note				
	8.125%, 10/15/2015	В	Ba	NR	1,348,350
2,200,000	Intelsat Bermuda, Ltd., Senior Note, 144A		~		
2 275 000	9.250%, 6/15/2016	В	В	BB	2,312,750
3,375,000	Intelsat Subsidiary Holding Co., Ltd., Guaranteed Senior Note				
	8.625%, 1/15/2015	В	В	BB	3,450,937
450,000	L-3 Communications Corp., Senior Subordinated Note	5	D	00	5,750,957
,	5.875%, 1/15/2015	BB	Ba	BB	427,500
1,830,000	L-3 Communications Corp., Senior Subordinated Note				
	7.625%, 6/15/2012	BB	Ba	BB	1,884,900
					9,424,437
005 000	Computers 1.9%				
3,225,000	Sungard Data Systems, Inc., Senior Note	D	Car	D	2 227 075
	9.125%, 8/15/2013	В	Caa	В	3,337,875
	Consumer Products 0.7%				
1,110.000	Consumer Products 0.7% Spectrum Brands, Inc., Senior Subordinated Note				
1,110,000	Consumer Products 0.7% Spectrum Brands, Inc., Senior Subordinated Note 7.375%, 2/01/2015	CCC	Caa	CCC	888,000
	Spectrum Brands, Inc., Senior Subordinated Note	CCC	Caa	CCC	888,000
	Spectrum Brands, Inc., Senior Subordinated Note 7.375%, 2/01/2015	CCC CCC	Caa Caa	CCC CCC	888,000 449,800
	Spectrum Brands, Inc., Senior Subordinated Note 7.375%, 2/01/2015 Spectrum Brands, Inc., Senior Subordinated Note 8.500%, 10/01/2013				
520,000	Spectrum Brands, Inc., Senior Subordinated Note 7.375%, 2/01/2015 Spectrum Brands, Inc., Senior Subordinated Note 8.500%, 10/01/2013 Containers & Packaging 3.5%				449,800
1,110,000 520,000 860,000	Spectrum Brands, Inc., Senior Subordinated Note 7.375%, 2/01/2015 Spectrum Brands, Inc., Senior Subordinated Note 8.500%, 10/01/2013				449,800

	7.750%, 11/15/2015	В	В	В	1,878,187
3,415,000	Owens-Brockway Glass Container, Senior Secured				
	Note				
	8.750%, 11/15/2012	BB	Ba	BB	3,602,825
					6,347,462
	Electric Utilities 9.0%				
1,445,000	AES Corp., (The) Senior Secured Note, 144A				

8.750%, 5/15/2013 BB Ba 2,505,000 CMS Energy Corp., Senior Note 7.750%, 8/01/2010 B Ba 2,485,000 Midwest Generation LLC, Senior Secured Note 8.750%, 5/01/2034 B Ba 3,345,000 Mirant Americas Generation LLC, Inc., Senior Note Secure Note Secure Note	BB 1,549,762
7.750%, 8/01/2010 B Ba 2,485,000 Midwest Generation LLC, Senior Secured Note B Ba 8.750%, 5/01/2034 B Ba	
2,485,000 Midwest Generation LLC, Senior Secured Note 8.750%, 5/01/2034 B Ba	
8.750%, 5/01/2034 B Ba	BB 2,630,250
3,345,000 Mirant Americas Generation LLC, Inc., Senior Note	BB 2,652,737
8.300%, 5/01/2011 B Ca	a B 3,349,181
1,410,000 Mission Energy Holding Co., Senior Secured Note	
13.500%, 7/15/2008 B B	BB 1,573,912
1,300,000 NRG Energy, Inc., Senior Note	
7.375%, 2/01/2016 B B	B 1,291,875
1,580,000 TECO Energy, Inc., Note	
7.500%, 6/15/2010 BB Ba	BB 1,659,000
1,500,000 TXU Corp., Series Q, Senior Note	
6.500%, 11/15/2024 BB Ba	
	16,127,886
Electronics 2.6%	
1,350,000 Flextronics International Ltd., Senior Subordinated	
Note	
6.500%, 5/15/2013 BB Ba	BB 1,336,500
1,565,000 Sensata Technologies BV, Senior Note, 144A	
8.000%, 5/01/2014 B B	NR 1,521,963
1,720,000 Xerox Corp., Note	
7.625%, 6/15/2013 BB Ba	BBB 1,806,000
	4,664,463
Entertainment & Leisure 12.9%	
1,210,000 AMC Entertainment, Inc., Senior Subordinated Note	
11.000%, 2/01/2016 CCC B	NR 1,318,900
2,160,000 AMF Bowling Worldwide, Inc., Senior Subordinated	
Note	
10.000%, 3/01/2010 CCC B	NR 2,241,000
1,750,000 Blockbuster, Inc., Senior Subordinated Note	
9.000%, 9/01/2012 CCC Ca	a CC 1,605,625
1,620,000 Chukchansi Economic Development Authority, Note,	······································
144A	
8.000%, 11/15/2013 BB B	NR 1,662,525
1,090,000 Marquee, Inc., Series B, Senior Note	· · · · · · · ·
8.625%, 8/15/2012 B Ba	B 1,125,425
1,275,000 Mohegan Tribal Gaming Authority, Senior	
1,275,000 Mohegan Tribal Gaming Authority, Senior Subordinated Note	NR 1.319.625
1,275,000 Mohegan Tribal Gaming Authority, Senior Subordinated Note 8.000%, 4/01/2012 B Ba	NR 1,319,625
1,275,000Mohegan Tribal Gaming Authority, Senior Subordinated Note 8.000%, 4/01/2012BBa1,600,000Pokagon Gaming Authority, Senior Note, 144A	
1,275,000Mohegan Tribal Gaming Authority, Senior Subordinated Note 8.000%, 4/01/2012BBa1,600,000Pokagon Gaming Authority, Senior Note, 144A 10.375%, 6/15/2014BB	NR 1,319,625 NR 1,706,000
1,275,000Mohegan Tribal Gaming Authority, Senior Subordinated Note 8.000%, 4/01/2012BBa1,600,000Pokagon Gaming Authority, Senior Note, 144A 10.375%, 6/15/2014BB1,255,000Royal Caribbean Cruises Ltd., Senior NoteB	NR 1,706,000
1,275,000Mohegan Tribal Gaming Authority, Senior Subordinated Note 8.000%, 4/01/2012BBa1,600,000Pokagon Gaming Authority, Senior Note, 144A 10.375%, 6/15/2014BB1,255,000Royal Caribbean Cruises Ltd., Senior Note 7.500%, 10/15/2027BBBBa	NR 1,706,000
1,275,000Mohegan Tribal Gaming Authority, Senior Subordinated NoteBBa8.000%, 4/01/2012BBBa1,600,000Pokagon Gaming Authority, Senior Note, 144A 10.375%, 6/15/2014BB1,255,000Royal Caribbean Cruises Ltd., Senior Note 7.500%, 10/15/2027BBBBa1,475,000San Pasqual Casino, Senior Note, 144ABB	NR 1,706,000 NR 1,225,692
1,275,000Mohegan Tribal Gaming Authority, Senior Subordinated NoteBBa8.000%, 4/01/2012BBBa,600,000Pokagon Gaming Authority, Senior Note, 144A 10.375%, 6/15/2014BB,255,000Royal Caribbean Cruises Ltd., Senior Note 7.500%, 10/15/2027BBBBa,475,000San Pasqual Casino, Senior Note, 144A 	NR 1,706,000
1,275,000Mohegan Tribal Gaming Authority, Senior Subordinated NoteBBa8.000%, 4/01/2012BBBa,600,000Pokagon Gaming Authority, Senior Note, 144A 10.375%, 6/15/2014BB,255,000Royal Caribbean Cruises Ltd., Senior Note 7.500%, 10/15/2027BBBBa,475,000San Pasqual Casino, Senior Note, 144A 8.000%, 9/15/2013BB10,000Station Casinos, Inc., Senior NoteBB	NR 1,706,000 NR 1,225,692 NR 1,500,813
A275,000Mohegan Tribal Gaming Authority, Senior Subordinated NoteBBa8.000%, 4/01/2012BBBa,600,000Pokagon Gaming Authority, Senior Note, 144A 10.375%, 6/15/2014BB,255,000Royal Caribbean Cruises Ltd., Senior Note 7.500%, 10/15/2027BBBBa,475,000San Pasqual Casino, Senior Note, 144A 8.000%, 9/15/2013BB,800,000Station Casinos, Inc., Senior Note 6.000%, 4/01/2012BBBa	NR 1,706,000 NR 1,225,692 NR 1,500,813
1,275,000Mohegan Tribal Gaming Authority, Senior Subordinated NoteBBa8.000%, 4/01/2012BBBa1,600,000Pokagon Gaming Authority, Senior Note, 144A 10.375%, 6/15/2014BB1,255,000Royal Caribbean Cruises Ltd., Senior Note 7.500%, 10/15/2027BBBBa1,475,000San Pasqual Casino, Senior Note, 144A 8.000%, 9/15/2013BB180,000Station Casinos, Inc., Senior Note 6.000%, 4/01/2012BBBa2,100,000Station Casinos, Inc., Senior NoteBB	NR 1,706,000 NR 1,225,692 NR 1,500,813 NR 463,200
A,275,000Mohegan Tribal Gaming Authority, Senior Subordinated NoteBBa8.000%, 4/01/2012BBBa,600,000Pokagon Gaming Authority, Senior Note, 144A 10.375%, 6/15/2014BB,255,000Royal Caribbean Cruises Ltd., Senior Note 7.500%, 10/15/2027BBBBa,475,000San Pasqual Casino, Senior Note, 144A 8.000%, 9/15/2013BB,800,000Station Casinos, Inc., Senior Note 6.000%, 4/01/2012BBBa,2100,000Station Casinos, Inc., Senior Note 7.750%, 8/15/2016BBBa	NR 1,706,000 NR 1,225,692 NR 1,500,813 NR 463,200
1,275,000Mohegan Tribal Gaming Authority, Senior Subordinated NoteBBa8.000%, 4/01/2012BBBa1,600,000Pokagon Gaming Authority, Senior Note, 144A 10.375%, 6/15/2014BB1,255,000Royal Caribbean Cruises Ltd., Senior Note 7.500%, 10/15/2027BBBBa1,475,000San Pasqual Casino, Senior Note, 144A 8.000%, 9/15/2013BB1880,000Station Casinos, Inc., Senior Note 6.000%, 4/01/2012BBBa2,100,000Station Casinos, Inc., Senior Note 7.750%, 8/15/2016BBBa4,375,000Station Casinos, Inc., Senior Subordinated NoteBBBa	NR 1,706,000 NR 1,225,692 NR 1,500,813 NR 463,200 NR 2,178,750
1,275,000 Mohegan Tribal Gaming Authority, Senior Subordinated Note B Ba 8,000%, 4/01/2012 B Ba Ba 1,600,000 Pokagon Gaming Authority, Senior Note, 144A B B 1,600,000 Pokagon Gaming Authority, Senior Note, 144A B B 1,255,000 Royal Caribbean Cruises Ltd., Senior Note BBB Ba 1,255,000 San Pasqual Casino, Senior Note, 144A BBB Ba 1,475,000 San Pasqual Casino, Senior Note, 144A B B 1,475,000 Station Casinos, Inc., Senior Note B B 480,000 Station Casinos, Inc., Senior Note B B 2,100,000 Station Casinos, Inc., Senior Note T.750%, 8/15/2016 B B 4,375,000 Station Casinos, Inc., Senior Subordinated Note E E E 6.875%, 3/01/2016 B B Ba	NR 1,706,000 NR 1,225,692 NR 1,500,813 NR 463,200 NR 2,178,750
1,275,000 Mohegan Tribal Gaming Authority, Senior Subordinated Note B Ba 1,600,000 Pokagon Gaming Authority, Senior Note, 144A B B 1,600,000 Pokagon Gaming Authority, Senior Note, 144A B B 1,0.375%, 6/15/2014 B B B 1,255,000 Royal Caribbean Cruises Ltd., Senior Note 7.500%, 10/15/2027 BBB Ba 1,475,000 San Pasqual Casino, Senior Note, 144A 8.000%, 9/15/2013 B B 180,000 Station Casinos, Inc., Senior Note 6.000%, 4/01/2012 BB Ba 2,100,000 Station Casinos, Inc., Senior Note 7.750%, 8/15/2016 BB Ba 4,375,000 Station Casinos, Inc., Senior Subordinated Note 6.875%, 3/01/2016 B Ba 8,385,000 WMG Holdings Corp., Senior Note, Step-Up B Ba	NR 1,706,000 NR 1,225,692 NR 1,500,813 NR 463,200 NR 2,178,750 NR 4,101,563
1,275,000 Mohegan Tribal Gaming Authority, Senior Subordinated Note B Ba 1,000%, 4/01/2012 B Ba Ba 1,600,000 Pokagon Gaming Authority, Senior Note, 144A B B 1,000%, 6/15/2014 B B B 1,255,000 Royal Caribbean Cruises Ltd., Senior Note BBB Ba 1,255,000 San Pasqual Casino, Senior Note, 144A BBB Ba 1,475,000 San Pasqual Casino, Senior Note, 144A B B 1,475,000 Station Casinos, Inc., Senior Note B B 1,400,000 Station Casinos, Inc., Senior Note B B 2,100,000 Station Casinos, Inc., Senior Note B B 4,375,000 Station Casinos, Inc., Senior Subordinated Note 6.875%, 3/01/2016 B B	NR 1,706,000 NR 1,225,692 NR 1,500,813 NR 463,200 NR 2,178,750 NR 4,101,563 B 2,521,825
,275,000 Mohegan Tribal Gaming Authority, Senior Subordinated Note B Ba ,600,000 Pokagon Gaming Authority, Senior Note, 144A B B ,600,000 Pokagon Gaming Authority, Senior Note, 144A B B ,255,000 Royal Caribbean Cruises Ltd., Senior Note B B ,255,000 Royal Caribbean Cruises Ltd., Senior Note BBB Ba ,475,000 San Pasqual Casino, Senior Note, 144A B B ,475,000 San Pasqual Casino, Senior Note, 144A B B ,475,000 Station Casinos, Inc., Senior Note B B ,800000 Station Casinos, Inc., Senior Note B B 2,100,000 Station Casinos, Inc., Senior Note B B 4,375,000 Station Casinos, Inc., Senior Subordinated Note 6.875%, 3/01/2016 B B 6,375,000 Station Casinos, Inc., Senior Subordinated Note 6.875%, 3/01/2016 B B 6,385,000 WMG Holdings Corp., Senior Note, Step-Up B B B	NR 1,706,000 NR 1,225,692 NR 1,500,813 NR 463,200 NR 2,178,750 NR 4,101,563

500,000	American Real Estate Partners, LP, Senior Note				
	8.125%, 6/01/2012	BB	Ba	NR	512,500
1,470,000	American Real Estate Partners, LP/American Real Estate Finance Corp., Senior Note				
	7.125%, 2/15/2013	BB	Ba	NR	1,462,650
					1,975,150

	Forest Products & Paper 1.8%				
1,090,000	Bowater, Inc., Note				
	9.000%, 8/01/2009	В	В	BB	1,128,150
535,000	Bowater, Inc., Senior Note, (FRN)				
	8.390%, 12/15/2006	В	В	BB	542,356
310,000	Graphic Packaging International Corp., Senior				
	Subordinated Note				
	9.500%, 8/15/2013	В	В	В	316,975
1,200,000	Graphic Packaging International Corp., Senior Note				
	8.500%, 8/15/2011	В	В	В	1,227,000
		2	2	2	3,214,481
	Health Care Providers 7.8%				5,211,101
1,220,000	HCA, Inc., Note				
1,220,000	6.300%, 10/01/2012	BB	Ba	BB	1,032,425
1,620,000		DD	Da	DD	1,032,423
1,020,000	HCA, Inc., Senior Note	DD	Da	DD	1 540 125
50.000	7.875%, 2/01/2011	BB	Ba	BB	1,549,125
550,000	Multiplan, Inc., Senior Subordinated Note, 144A	D	0	ND	550 750
075.000	10.375%, 4/15/2016	В	Caa	NR	552,750
975,000	National Mentor Holdings, Senior Subordinated Note,				
	144A				
	11.250%, 7/01/2014	CCC	Caa	NR	1,014,000
260,000	Omnicare Inc., Senior Subordinated Note				
	6.750%, 12/15/2013	BB	Ba	NR	252,850
740,000	Omnicare, Inc., Senior Subordinated Note				
	6.125%, 6/01/2013	BB	Ba	NR	699,300
2,025,000	Rural/Metro Corp., Senior Subordinated Note				
	9.875%, 3/15/2015	CCC	В	NR	2,093,344
2,485,000	Spheris, Inc., Senior Subordinated Note				
_,,	11.000%, 12/15/2012	CCC	Caa	NR	2,329,688
540,000	Triad Hospitals, Inc., Senior Subordinated Note	000	cuu		2,027,000
	7.000%, 11/15/2013	В	В	В	524,475
1,115,000	US Oncology Holdings, Inc., Senior Note, (FRN)	Б	Б	Ъ	521,175
1,115,000	10.675%, 3/15/2007	В	В	NR	1,137,300
710,000	US Oncology, Inc., Senior Note	D	D	INK	1,137,300
/10,000		р	D	ND	724.950
015 000	9.000%, 8/15/2012	В	В	NR	734,850
2,015,000	Ventas Realty, LP/Ventas Capital Corp. REIT, Senior				
	Note				
	6.500%, 6/01/2016	BB	Ba	BBB	2,002,406
					13,922,513
	Media - Broadcasting & Publishing 27.3%				
2,005,000	CCH I Holdings LLC, Guaranteed Senior Note				
	10.000%, 5/15/2014	CCC	Caa	CCC	1,368,413
3,623,000	CCH I LLC, Senior Secured Note				
	11.000%, 10/01/2015	CCC	Caa	CCC	3,296,930
1,350,000	Charter Communications Operating LLC/Charter				
	Communications Capital Corp., Senior Note, 144A				
	8.000%, 4/30/2012	В	В	В	1,360,125
1,000,000	Charter Communications Operating LLC/Charter				, , -
, ,	Communications Capital Corp., Senior Note, 144A				
	8.375%, 4/30/2014	В	В	В	1,016,250
3,445,000	CMP Susquehanna Corp., Senior Subordinated Note,	D	Ъ	Ъ	1,010,230
, r=5,000	144A				
		CCC	ъ	ND	2 220 200
575 000	9.875%, 5/15/2014 CSC Haldings Inc. Series P. Senier Note	CCC	В	NR	3,238,300
2,525,000	CSC Holdings, Inc., Series B, Senior Note	D	D	DD	0 (1(501
	8.125%, 8/15/2009	В	В	BB	2,616,531
290,000	Dex Media West LLC/Dex Media Finance Co., Series				
	B, Senior Note				

	8.500%, 8/15/2010	В	В	В	299,425
580,000	Dex Media West LLC/Dex Media Finance Co., Series				
	B, Senior Subordinated Note				
	9.875%, 8/15/2013	В	В	В	626,400
2,960,000	Dex Media, Inc., Note				
	8.000%, 11/15/2013	В	В	CCC	2,937,800
1,465,000	DirecTV Holdings LLC, Senior Note				
	6.375%, 6/15/2015	BB	Ba	BB	1,377,100

660,000	DirecTV Holdings LLC/DirecTV Financing Co., Senior Note				
2,010,000	8.375%, 3/15/2013 Echostar DBS Corp., Guaranteed Senior Note, 144A	BB	Ba	BB	683,925
1,400,000	7.125%, 2/01/2016 Echostar DBS Corp., Senior Note	BB	Ba	BB	1,942,163
	6.625%, 10/01/2014	BB	Ba	BB	1,331,750
1,115,000	Echostar DBS Corp., Senior Note, 144A 7.000%, 10/01/2013	BB	Ba	BB	1,089,913
720,000	Entercom Radio LLC/Entercom Capital, Inc., Senior Subordinated Note				
	7.625%, 3/01/2014	В	Ва	NR	702,900
4,935,000	Houghton Mifflin Co., Senior Note				
	8.250%, 2/01/2011	CCC	В	В	5,070,713
580,000	LIN Television Corp., Senior Subordinated Note	D	D	ND	5 40 950
675,000	6.500%, 5/15/2013 LIN Television Corp., Series B, Senior Subordinated Note	В	Ba	NR	540,850
	6.500%, 5/15/2013	В	Ba	NR	629,438
2,070,000	Mediacom LLC/Mediacom Capital Corp., Senior Note				
	9.500%, 1/15/2013	В	В	CCC	2,116,575
5,615,000	Paxson Communications Corp., Senior Note, 144A, (FRN)				
2 225 000	11.757%, 10/16/2006	CCC	Caa	NR	5,657,113
2,225,000	Primedia, Inc., Senior Note 8.875%, 5/15/2011	В	В	NR	2,174,938
300,000	Primedia, Inc., Senior Note, (FRN)	D	D		2,174,930
500,000	10.780%, 11/15/2006	В	В	NR	306,750
3,130,000	RH Donnelley Corp., Senior Note				
	8.875%, 1/15/2016	В	В	CCC	3,137,825
1,400,000	Rogers Cable, Inc., Senior Secured Note	DD	5	DD	1 202 500
1,135,000	6.250%, 6/15/2013 Rogers Cable, Inc., Senior Secured Note	BB	Ba	BB	1,382,500
1,155,000	7.875%, 5/01/2012	BB	Ва	BB	1,211,613
1,355,000	Rogers Cable, Inc., Senior Secured Note	DD	Bu	DD	1,211,015
	8.750%, 5/01/2032	BB	Ва	BB	1,598,900
1,025,000	Young Broadcasting, Inc., Senior Subordinated Note				
	8.750%, 1/15/2014	CCC	Caa	NR	871,250
190,000	Young Broadcasting, Inc., Senior Subordinated Note	CCC	Car	ND	177 412
	10.000%, 3/01/2011	CCC	Caa	NR	177,413 48,763,803
	Medical Supplies 1.5%				10,705,005
3,715,000	CDRV Investors, Inc., Senior Note, Step-Up				
	0.000%/9.625%, 1/01/2015 (b)	В	Caa	NR	2,749,100
2 0 (5 0 0 0	Oil & Gas 9.0%				
2,065,000	Chesapeake Energy Corp., Senior Note 6.375%, 6/15/2015	BB	Ba	BB	1,972,075
670,000	Chesapeake Energy Corp., Senior Note	DD	Du		1,972,075
,	7.500%, 9/15/2013	BB	Ва	BB	680,050
2,650,000	El Paso Corp., Note				
000 000	7.750%, 6/15/2010	В	В	NR	2,742,750
920,000	El Paso Corp., Senior Note	D	D	ND	1 018 000
2,190,000	9.625%, 5/15/2012 El Paso Natural Gas Co., Note	В	В	NR	1,018,900
2,170,000	8.375%, 6/15/2032	В	Ва	NR	2,507,116

Ferrellgas Partners, LP/Ferrellgas Partners Finance Corp., Senior Note				
8.750%, 6/15/2012	В	В	NR	1,284,400
Forest Oil Corp., Senior Note				
7.750%, 5/01/2014	В	В	NR	848,400
Forest Oil Corp., Senior Note				
8.000%, 12/15/2011	В	В	NR	1,128,150
	Corp., Senior Note 8.750%, 6/15/2012 Forest Oil Corp., Senior Note 7.750%, 5/01/2014 Forest Oil Corp., Senior Note	Corp., Senior Note 8.750%, 6/15/2012 B Forest Oil Corp., Senior Note 7.750%, 5/01/2014 B Forest Oil Corp., Senior Note	Corp., Senior Note 8.750%, 6/15/2012 B B Forest Oil Corp., Senior Note 7.750%, 5/01/2014 B B Forest Oil Corp., Senior Note	Corp., Senior Note 8.750%, 6/15/2012 B B NR Forest Oil Corp., Senior Note 7.750%, 5/01/2014 B B NR Forest Oil Corp., Senior Note

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ordic Telephone Co. Holdings, Senior Note, 144A 875%, 5/01/2016 B B B 2,670,175 west Corp., Note	, - ,		BBB	Baa	BBB	5,344,201	
875%, 5/01/2016 B B B 2,670,175 west Corp., Note	2,540,000	,	_			- , ,	
west Corp., Note			В	В	В	2,670,175	
	3,280,000					,,	
875%, 3/15/2012 BB Ba BB 3.579.300	,,	8.875%, 3/15/2012	BB	Ba	BB	3,579,300	
						,,	
	565,000	Rogers wireless Communications, Inc., Senior					
500%, 3/15/2015 BB Ba BB 709,888	665,000	Secured Note					
ogers Wireless Communications, Inc., Senior	2,540,000 3,280,000	6.875%, 10/31/2013 Nordic Telephone Co. Holdings, Senior Note, 144A 8.875%, 5/01/2016 Qwest Corp., Note 8.875%, 3/15/2012	В	В	В	2,6	

625,000	Windstream Corp., Senior Note, 144A				
	8.125%, 8/01/2013	BB	Ba	BB	663,281
1,910,000	Windstream Corp., Senior Note, 144A				
	8.625%, 8/01/2016	BB	Ва	BB	2,043,700
					19,992,358

	Textiles, Clothing & Fabrics 0.8%					
1,400,000	Levi Strauss & Co., Senior Note					
	9.750%, 1/15/2015	В	В	В	1,452,500	
	Transportation 3.7%					
2,640,000	Grupo Transportacion Ferroviaria Mexicana SA					
	de CV, Senior Note					
	9.375%, 5/01/2012	В	В	В	2,798,400	
175,000	Stena AB, Note					
	9.625%, 12/01/2012	BB	Ba	NR	188,125	
2,055,000	Stena AB, Senior Note					
	7.000%, 12/01/2016	BB	Ва	NR	1,936,838	
1,675,000	Stena AB, Senior Note					
	7.500%, 11/01/2013	BB	Ва	NR	1,645,688	
					6,569,051	
	Total Corporate Debt (Identified Cost					
	\$254,619,694)				258,271,335	
	Total Investments 145.3%					
	(Identified Cost \$255,924,643) (a)				259,678,091	
	Other Assets, Less Liabilities 5.1%				9,179,403	
	Money Market Cumulative Preferred Shares plus					
	cumulative unpaid dividends (50.4%)				(90,130,250)	
	Total Net Assets Applicable to Common					
	Shareholders 100%				\$ 178,727,244	
					* 1,0,,2,,211	

See Notes to Schedule of Investments

Notes to Schedule of Investments

(a) Federal Tax Information:

At September 30, 2006, the net unrealized appreciation on investments based on cost of \$256,240,178 for federal income tax purposes was as follows:

excess of value over tax cost	\$	6,240,182
Aggregate gross unrealized depreciation for all investments in which there is an excess of tax cost over value	(2,802,269	
Net unrealized appreciation	\$	3,437,913

- (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 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, 2006.
- 144A Restricted security subject to restrictions on resale under federal securities law. 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 \$54,474,272 or 30.5% of net assets applicable to common shareholders.

For more information on the Fund s significant accounting policies, please refer to the Fund s most recent semi-annual financial statements.

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 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 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 September 30, 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. At September 30, 2006, the fund had the following open swap agreements:

For more information on the Fund s significant accounting policies, please refer to the Fund s most recent semi-annual financial statements.

Notional Amount		Expiration Date	Description		Net Unrealized Appreciation	
\$	22,500,000	3/15/07	Agreement with Citibank N.A. dated 3/11/04 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).	\$	342,000	
\$	22,500,000	9/28/07	Agreement with Citibank N.A. dated 9/24/04 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).	\$	437,000	

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 September 30, 2006, the fund had \$811,000 payable for collateral on interest rate swap contracts under this arrangement.

For more information on the Fund s significant accounting policies, please refer to the Fund s most recent semi-annual 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 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 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) Certifications 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 are filed herewith 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 Brothe	ers First Trust Income Opportunity Fund
By:		/s/ Peter E. Sundman Peter E. Sundman, Chief Executive Officer
Date	11/21/06	
		ange Act of 1934 and the Investment Company Act of 1940, this report has been signed istrant and in the capacities and on the dates indicated.
By:		/s/ Peter E. Sundman Peter E. Sundman, Chief Executive Officer
Date	11/21/06	
By:		/s/ John M. McGovern John M. McGovern, Treasurer/Principal Financial and Accounting Officer
Date	11/21/06	