

LEHMAN BROTHERS FIRST TRUST INCOME OPPORTUNITY FUND  
Form N-CSRS  
September 05, 2006

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

FORM N-CSR

CERTIFIED SHAREHOLDER REPORT OF REGISTERED  
MANAGEMENT INVESTMENT COMPANIES

Investment Company Act file number 811-21342

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

c/o Lehman Brothers Asset Management Inc., 399 Park Avenue, New York, NY 10022  
(Address of principal executive offices) (Zip code)

Peter E. Sundman, Chief Executive Officer c/o Lehman Brothers Asset Management Inc.  
Lehman Brothers First Trust Income Opportunity Fund, 399 Park Avenue, New York, NY 10022  
(Name and address of agent for service)

Arthur C. Delibert, Esq. Kirkpatrick & Lockhart Nicholson Graham LLP  
1601 K Street, N.W. Washington, DC 20006-1600  
(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: 06/30/2006

Form N-CSR is to be used by management investment companies to file reports with the Commission not later than 10 days after the transmission to stockholders of any report that is required to be transmitted to stockholders under Rule 30e-1 under the Investment Company Act of 1940 (17 CFR 270.30e-1). The Commission may use the information provided on Form N-CSR in its regulatory, disclosure review, inspection, and policymaking roles.

A registrant is required to disclose the information specified by Form N-CSR, and the Commission will make this information public. A registrant is not required to respond to the collection of information contained in Form N-CSR 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. REPORTS TO STOCKHOLDERS.

The semi-annual report for the period January 1, 2006 through June 30, 2006 is filed herewith.

SEMI ANNUAL REPORT 2006

LEHMAN BROTHERS  
FIRST TRUST INCOME  
OPPORTUNITY FUND

[GRAPHIC]

LEHMAN BROTHERS

CONTENTS

Chairman's Letter	2
Portfolio Manager's Report	3
Fund Overview	4
Schedule of Investments	5
Notes to Schedule of Investments	15
Statement of Assets and Liabilities	16
Statement of Operations	17
Statements of Changes in Net Assets	18
Financial Highlights	19
Notes to Financial Statements	20
Shareholder Voting Results	24
Dividend Reinvestment Plan	26
Trustees and Officers Table	27
Approval of Advisory and Sub-Advisory Agreements by the Board of Trustees	35

CHAIRMAN'S LETTER

Dear Shareholder:

We are pleased to present to you the 2006 semi-annual report of Lehman Brothers First Trust Income Opportunity Fund, covering the six months ended June 30, 2006. The report includes portfolio commentary, a listing of the Fund's investments, and its financial statements for the reporting period.

High yield bonds posted positive returns for the reporting period, despite higher interest rates and renewed concern over potentially higher inflation. Declining equity markets, domestically and in selected emerging markets, resulted in a modest increase in credit spreads at the end of June, compared to narrower spread levels in the first three months of the year. Given that default rates and interest rates remain low, lower-rated credits performed mildly better than higher-rated, more interest-rate-sensitive issues. Overall, we continue to anticipate that 2006 will prove to be a relatively good year for high yield portfolios and we maintain our expectation for a positive full-year 2006 total return.

The Fund's investment objective is to seek high total return through income plus capital appreciation. The Fund pursues this investment objective by investing primarily in high yield debt securities.\* Its performance is dependent on several factors, including the rate of interest received on securities held by the Fund, the cost of distributions payable on Money Market Cumulative Preferred Shares issued by the Fund, and the results of interest rate hedges used by the Fund in seeking to manage short-term interest rate costs.

## Edgar Filing: LEHMAN BROTHERS FIRST TRUST INCOME OPPORTUNITY FUND - Form N-CSRS

Portfolio Manager Ann H. Benjamin and her team of seasoned investment professionals at Lehman Brothers Asset Management LLC manage the portfolio. The team takes a proactive approach to high yield asset management, integrating detailed security and industry analysis within the context of a global economic outlook. Ann's portfolio co-managers and research analysts are industry specialists who carry out independent primary research on companies and industries. In addition to seeking value from specific issue selections, they also implement strategies seeking to take advantage of valuation opportunities across industry sectors and credit quality tiers.

We thank you for the trust you have placed in us by investing in the Lehman Brothers First Trust Income Opportunity Fund. We will continue to do our best to earn it.

Sincerely,

/s/ Peter Sundman

-----  
Peter Sundman  
CHAIRMAN OF THE BOARD  
LEHMAN BROTHERS FIRST TRUST  
INCOME OPPORTUNITY FUND

-----  
\* Portfolios that invest in bonds and other fixed income securities can provide regular income and have historically been less volatile than most stock funds. However, they are subject to risks including credit risk, default on principal or interest payments and interest rate fluctuations. High yield bonds, also known as "junk bonds," are subject to additional risks such as the increased risk of default.

LEHMAN BROTHERS FIRST TRUST INCOME OPPORTUNITY FUND SEMI-ANNUAL REPORT 2006

### PORTFOLIO MANAGER'S REPORT

For the semi-annual reporting period ended June 30, 2006, Lehman Brothers First Trust Income Opportunity Fund (NYSE: LBC) returned 2.77% on a Net Asset Value (NAV) basis.

High yield bonds produced positive results for the period, outperforming the 10-year Treasury, investment-grade corporate bonds, emerging market bonds and the S&P 500 Index, despite an increase in the Federal Funds rate to 5.25% since January and ongoing inflation concerns. Credit spreads in the high yield segment widened modestly in the second half of the period from their levels in the first three months of the year, primarily in reaction to declines in domestic equity and emerging markets. From a quality standpoint, lower-rated credit issues performed mildly better than higher-rated, more interest-rate-sensitive issues.

Our positioning in higher-quality, less cyclical issues hurt returns in the first three months of the year, but benefited returns at the end of the reporting period. In terms of sector contributions to portfolio returns, the Automotive sector added value during the period while the Building Materials sector modestly detracted from performance. Select investments in lower-rated bonds within the Media, Health Care, Consumer Cyclical and Electric Utilities sectors minimized the effect of rising interest rates on the Fund's overall return.

We continue to anticipate that 2006 will prove to be a relatively good year for high yield issues. We believe that default rates will continue to remain low and

Edgar Filing: LEHMAN BROTHERS FIRST TRUST INCOME OPPORTUNITY FUND - Form N-CSRS

that spreads will continue to stabilize. Some sectors, such as housing, may see wider spreads in response to a slowdown in industry-specific growth. In terms of quality and sector positioning, we expect that, over the next 12 months, defensive industries should outperform cyclical industries. As always, we will continue to position the portfolio in issuers that, in our opinion, present the best relative value by sector and quality tier.

Sincerely,

/s/ Ann H. Benjamin

-----  
Ann H. Benjamin  
PORTFOLIO MANAGER

-----  
Past performance is not indicative of future results.

Portfolios that invest in bonds and other fixed income securities can provide regular income and have historically been less volatile than most stock funds. However, they are subject to risks including credit risk, default on principal or interest payments and interest rate fluctuations. High yield bonds, also known as "junk bonds," are subject to additional risks such as the increased risk of default.

3

LEHMAN BROTHERS FIRST TRUST INCOME OPPORTUNITY FUND

FUND OVERVIEW (AS OF 06/30/06) (1)

PERFORMANCE HIGHLIGHTS(2)

	INCEPTION DATE	3 MONTHS ENDED ----- 3/31/06    6/30/06		6 MONTHS ENDED ----- 6/30/06	CUMULATIVE TOTAL RETURN SINCE INCEPTION (3)
NAV	07/28/03	2.52%	0.24%	2.77%	34.44%
Market Price	07/28/03	-4.97%	-4.08%	-8.84%	22.57%

FUND FACTS

Ticker	NYSE: LBC
Market Price (06/30/2006)	\$ 13.58
Net Asset Value (NAV)	\$ 14.23
Premium / (Discount)	(4.57%)
Shares outstanding:	12,248,410
CUSIP number:	525178 10 9
Inception Date:	7/28/03

PORTFOLIO CHARACTERISTICS

Portfolio Turnover	56.48%
Expense Ratio	1.57%
Wtd. Avg. Maturity	7.49 Years
Average Coupon	8.07%
Average Credit Quality	B
Portfolio Composition - % High Yield	94.1%

CAPITAL STRUCTURE AND LEVERAGE (\$ mm)

Total Net Assets	\$ 264.3
------------------	----------

# Edgar Filing: LEHMAN BROTHERS FIRST TRUST INCOME OPPORTUNITY FUND - Form N-CSRS

Net Assets Attributable to Common Shares	\$	174.2
Net Assets Attributable to Preferred Shares	\$	90.0
Net Assets Attributable to Other Borrowings		--
Leverage (% of total net assets)		34.1%

## CREDIT QUALITY BREAKDOWN (% OF TOTAL INVESTMENTS AND CASH)

[CHART]

Cash (AAA)	2.5%
BBB	3.4%
BB	45.9%
B	40.3%
CCC	7.9%

## MARKET PRICE AND NAV PERFORMANCE

[CHART]

	Price (\$)	NAV (\$)	Premium/ Discount (%)
	-----	-----	-----
7/29/2003	\$15.00	\$15.00	0.00%
7/30/2003	\$15.01	\$15.00	0.10%
7/31/2003	\$15.01	\$14.30	5.00%
8/1/2003	\$15.00	\$14.26	5.20%
8/4/2003	\$15.00	\$14.27	5.10%
8/5/2003	\$15.01	\$14.21	5.60%
8/6/2003	\$15.01	\$14.12	6.30%
8/7/2003	\$15.00	\$14.12	6.20%
8/8/2003	\$15.00	\$14.16	5.90%
8/11/2003	\$15.01	\$14.14	6.20%
8/12/2003	\$15.00	\$14.11	6.30%
8/13/2003	\$15.05	\$14.04	7.20%
8/14/2003	\$15.02	\$13.97	7.50%
8/15/2003	\$15.10	\$13.98	8.00%
8/18/2003	\$15.00	\$14.03	6.90%
8/19/2003	\$14.25	\$14.17	0.60%
8/20/2003	\$14.48	\$14.28	1.40%
8/21/2003	\$14.81	\$14.36	3.10%
8/22/2003	\$14.56	\$14.39	1.20%
8/25/2003	\$14.46	\$14.43	0.20%
8/26/2003	\$14.55	\$14.45	0.70%
8/27/2003	\$14.70	\$14.48	1.50%
8/28/2003	\$14.40	\$14.53	-0.90%
8/29/2003	\$14.45	\$14.60	-1.00%
9/2/2003	\$14.44	\$14.69	-1.70%
9/3/2003	\$14.62	\$14.71	-0.60%
9/4/2003	\$14.85	\$14.73	0.80%
9/5/2003	\$14.75	\$14.75	0.00%
9/8/2003	\$14.76	\$14.76	0.00%
9/9/2003	\$14.81	\$14.80	0.10%
9/10/2003	\$14.76	\$14.82	-0.40%
9/11/2003	\$14.90	\$14.83	0.50%
9/12/2003	\$14.93	\$14.83	0.70%

Edgar Filing: LEHMAN BROTHERS FIRST TRUST INCOME OPPORTUNITY FUND - Form N-CSRS

9/15/2003	\$14.40	\$14.83	-2.90%
9/16/2003	\$14.72	\$14.83	-0.70%
9/17/2003	\$14.82	\$14.89	-0.50%
9/18/2003	\$14.74	\$14.79	-0.30%
9/19/2003	\$14.90	\$14.82	0.50%
9/22/2003	\$14.86	\$14.79	0.50%
9/23/2003	\$14.82	\$14.78	0.30%
9/24/2003	\$14.85	\$14.78	0.50%
9/25/2003	\$14.86	\$14.78	0.50%
9/26/2003	\$14.92	\$14.78	0.90%
9/29/2003	\$14.84	\$14.81	0.20%
9/30/2003	\$14.86	\$14.83	0.20%
10/1/2003	\$14.87	\$14.84	0.20%
10/2/2003	\$14.86	\$14.84	0.10%
10/3/2003	\$14.93	\$14.87	0.40%
10/6/2003	\$15.01	\$14.89	0.80%
10/7/2003	\$15.00	\$14.92	0.50%
10/8/2003	\$15.09	\$14.97	0.80%
10/9/2003	\$15.12	\$14.97	1.00%
10/10/2003	\$15.14	\$15.00	0.90%
10/13/2003	\$15.14	\$15.01	0.90%
10/14/2003	\$15.20	\$15.05	1.00%
10/15/2003	\$15.28	\$15.10	1.20%
10/16/2003	\$15.15	\$14.96	1.30%
10/17/2003	\$15.10	\$14.95	1.00%
10/20/2003	\$15.09	\$14.98	0.70%
10/21/2003	\$15.11	\$15.00	0.70%
10/22/2003	\$15.20	\$14.87	2.20%
10/23/2003	\$15.23	\$14.79	3.00%
10/24/2003	\$15.23	\$14.80	2.90%
10/27/2003	\$15.23	\$14.82	2.80%
10/28/2003	\$15.08	\$14.84	1.60%
10/29/2003	\$15.19	\$14.85	2.30%
10/30/2003	\$15.10	\$14.87	1.50%
10/31/2003	\$15.25	\$14.88	2.50%
11/3/2003	\$15.24	\$14.91	2.20%
11/4/2003	\$15.27	\$14.93	2.30%
11/5/2003	\$15.25	\$14.93	2.10%
11/6/2003	\$15.29	\$14.93	2.40%
11/7/2003	\$15.27	\$14.94	2.20%
11/10/2003	\$15.29	\$14.95	2.30%
11/11/2003	\$15.33	\$14.95	2.50%
11/12/2003	\$15.39	\$14.94	3.00%
11/13/2003	\$15.42	\$14.97	3.00%
11/14/2003	\$15.48	\$15.01	3.10%
11/17/2003	\$15.35	\$15.04	2.10%
11/18/2003	\$15.25	\$15.07	1.20%
11/19/2003	\$15.25	\$15.08	1.10%
11/20/2003	\$15.16	\$14.96	1.30%
11/21/2003	\$15.14	\$14.99	1.00%
11/24/2003	\$15.02	\$15.01	0.10%
11/25/2003	\$15.15	\$15.03	0.80%
11/26/2003	\$15.08	\$15.04	0.30%
11/28/2003	\$15.26	\$15.06	1.30%
12/1/2003	\$15.30	\$15.10	1.30%
12/2/2003	\$15.34	\$15.15	1.30%
12/3/2003	\$15.44	\$15.25	1.20%
12/4/2003	\$15.35	\$15.30	0.30%
12/5/2003	\$15.36	\$15.34	0.10%
12/8/2003	\$15.26	\$15.39	-0.80%
12/9/2003	\$15.21	\$15.41	-1.30%
12/10/2003	\$15.24	\$15.42	-1.20%

Edgar Filing: LEHMAN BROTHERS FIRST TRUST INCOME OPPORTUNITY FUND - Form N-CSRS

12/11/2003	\$15.28	\$15.41	-0.80%
12/12/2003	\$15.32	\$15.43	-0.70%
12/15/2003	\$15.42	\$15.46	-0.30%
12/16/2003	\$15.60	\$15.49	0.70%
12/17/2003	\$15.39	\$15.53	-0.90%
12/18/2003	\$15.43	\$15.57	-0.90%
12/19/2003	\$15.43	\$15.60	-1.10%
12/22/2003	\$15.52	\$15.63	-0.70%
12/23/2003	\$15.41	\$15.44	-0.20%
12/24/2003	\$15.41	\$15.45	-0.30%
12/26/2003	\$15.49	\$15.46	0.20%
12/29/2003	\$15.45	\$15.48	-0.20%
12/30/2003	\$15.55	\$15.51	0.30%
12/31/2003	\$15.91	\$15.51	2.60%
1/2/2004	\$15.85	\$15.51	2.20%
1/5/2004	\$15.86	\$15.63	1.50%
1/6/2004	\$15.92	\$15.74	1.10%
1/7/2004	\$15.85	\$15.83	0.10%
1/8/2004	\$15.65	\$15.88	-1.40%
1/9/2004	\$15.79	\$15.92	-0.80%
1/12/2004	\$15.84	\$15.93	-0.60%
1/13/2004	\$15.85	\$15.92	-0.40%
1/14/2004	\$16.02	\$15.93	0.60%
1/15/2004	\$16.25	\$15.96	1.80%
1/16/2004	\$16.59	\$15.98	3.80%
1/20/2004	\$16.69	\$16.03	4.10%
1/21/2004	\$16.43	\$15.91	3.30%
1/22/2004	\$16.50	\$15.95	3.40%
1/23/2004	\$16.25	\$15.95	1.90%
1/26/2004	\$16.14	\$15.92	1.40%
1/27/2004	\$15.97	\$15.86	0.70%
1/28/2004	\$15.98	\$15.76	1.40%
1/29/2004	\$15.90	\$15.64	1.70%
1/30/2004	\$16.10	\$15.60	3.20%
2/2/2004	\$16.08	\$15.53	3.50%
2/3/2004	\$16.07	\$15.45	4.00%
2/4/2004	\$16.01	\$15.40	4.00%
2/5/2004	\$15.97	\$15.31	4.30%
2/6/2004	\$16.00	\$15.31	4.50%
2/9/2004	\$16.19	\$15.40	5.10%
2/10/2004	\$16.15	\$15.39	4.90%
2/11/2004	\$16.39	\$15.41	6.40%
2/12/2004	\$16.42	\$15.48	6.10%
2/13/2004	\$16.52	\$15.49	6.60%
2/17/2004	\$16.30	\$15.52	5.00%
2/18/2004	\$16.25	\$15.31	6.10%
2/19/2004	\$16.16	\$15.25	6.00%
2/20/2004	\$15.99	\$15.22	5.10%
2/23/2004	\$16.00	\$15.17	5.50%
2/24/2004	\$15.41	\$15.10	2.10%
2/25/2004	\$15.70	\$15.13	3.80%
2/26/2004	\$15.80	\$15.11	4.60%
2/27/2004	\$16.17	\$15.17	6.60%
3/1/2004	\$16.25	\$15.20	6.90%
3/2/2004	\$16.29	\$15.20	7.20%
3/3/2004	\$16.16	\$15.19	6.40%
3/4/2004	\$16.16	\$15.21	6.20%
3/5/2004	\$16.03	\$15.27	5.00%
3/8/2004	\$16.10	\$15.32	5.10%
3/9/2004	\$16.30	\$15.32	6.40%
3/10/2004	\$16.21	\$15.28	6.10%
3/11/2004	\$16.00	\$15.23	5.10%

Edgar Filing: LEHMAN BROTHERS FIRST TRUST INCOME OPPORTUNITY FUND - Form N-CSRS

3/12/2004	\$16.22	\$15.25	6.40%
3/15/2004	\$16.32	\$15.22	7.20%
3/16/2004	\$16.33	\$15.14	7.90%
3/17/2004	\$16.17	\$15.17	6.60%
3/18/2004	\$16.37	\$15.14	8.10%
3/19/2004	\$16.43	\$15.12	8.70%
3/22/2004	\$16.05	\$14.97	7.20%
3/23/2004	\$16.10	\$14.92	7.90%
3/24/2004	\$15.82	\$14.91	6.10%
3/25/2004	\$15.95	\$14.93	6.80%
3/26/2004	\$16.02	\$14.98	6.90%
3/29/2004	\$16.09	\$15.05	6.90%
3/30/2004	\$16.09	\$15.08	6.70%
3/31/2004	\$16.20	\$15.09	7.40%
4/1/2004	\$16.17	\$15.10	7.10%
4/2/2004	\$16.16	\$15.06	7.30%
4/5/2004	\$16.23	\$15.08	7.60%
4/6/2004	\$16.00	\$15.12	5.80%
4/7/2004	\$15.82	\$15.15	4.40%
4/8/2004	\$15.90	\$15.16	4.90%
4/9/2004	\$15.90	\$15.17	4.80%
4/12/2004	\$15.75	\$15.20	3.60%
4/13/2004	\$15.30	\$15.15	1.00%
4/14/2004	\$14.94	\$15.10	-1.10%
4/15/2004	\$14.77	\$15.13	-2.40%
4/16/2004	\$14.82	\$15.17	-2.30%
4/19/2004	\$15.05	\$15.19	-0.90%
4/20/2004	\$15.04	\$15.20	-1.10%
4/21/2004	\$14.92	\$15.06	-0.90%
4/22/2004	\$14.81	\$15.12	-2.10%
4/23/2004	\$14.90	\$15.14	-1.60%
4/26/2004	\$15.00	\$15.14	-0.90%
4/27/2004	\$14.77	\$15.17	-2.60%
4/28/2004	\$14.71	\$15.14	-2.80%
4/29/2004	\$14.66	\$15.03	-2.50%
4/30/2004	\$14.71	\$15.02	-2.10%
5/3/2004	\$14.72	\$14.99	-1.80%
5/4/2004	\$14.50	\$14.92	-2.80%
5/5/2004	\$14.75	\$14.89	-0.90%
5/6/2004	\$14.65	\$14.77	-0.80%
5/7/2004	\$14.39	\$14.65	-1.80%
5/10/2004	\$13.99	\$14.47	-3.30%
5/11/2004	\$13.83	\$14.45	-4.30%
5/12/2004	\$14.08	\$14.39	-2.20%
5/13/2004	\$13.95	\$14.27	-2.20%
5/14/2004	\$13.98	\$14.25	-1.90%
5/17/2004	\$13.77	\$14.29	-3.60%
5/18/2004	\$13.76	\$14.36	-4.20%
5/19/2004	\$13.79	\$14.33	-3.80%
5/20/2004	\$13.84	\$14.29	-3.10%
5/21/2004	\$13.87	\$14.35	-3.30%
5/24/2004	\$13.89	\$14.41	-3.60%
5/25/2004	\$14.20	\$14.46	-1.80%
5/26/2004	\$14.55	\$14.50	0.30%
5/27/2004	\$14.80	\$14.51	2.00%
5/28/2004	\$14.94	\$14.54	2.80%
6/1/2004	\$14.65	\$14.52	0.90%
6/2/2004	\$14.79	\$14.54	1.70%
6/3/2004	\$14.82	\$14.50	2.20%
6/4/2004	\$14.95	\$14.54	2.80%
6/7/2004	\$14.97	\$14.58	2.70%
6/8/2004	\$14.97	\$14.62	2.40%



Edgar Filing: LEHMAN BROTHERS FIRST TRUST INCOME OPPORTUNITY FUND - Form N-CSRS

6/9/2004	\$14.99	\$14.64	2.40%
6/10/2004	\$14.98	\$14.62	2.50%
6/11/2004	\$14.98	\$14.63	2.40%
6/14/2004	\$14.71	\$14.63	0.50%
6/15/2004	\$14.86	\$14.62	1.60%
6/16/2004	\$14.74	\$14.66	0.50%
6/17/2004	\$14.94	\$14.69	1.70%
6/18/2004	\$14.95	\$14.71	1.60%
6/21/2004	\$14.73	\$14.62	0.80%
6/22/2004	\$14.90	\$14.64	1.80%
6/23/2004	\$14.78	\$14.64	1.00%
6/24/2004	\$14.69	\$14.67	0.10%
6/25/2004	\$14.75	\$14.69	0.40%
6/28/2004	\$14.63	\$14.70	-0.50%
6/29/2004	\$14.86	\$14.69	1.20%
6/30/2004	\$14.85	\$14.67	1.20%
7/1/2004	\$15.00	\$14.69	2.10%
7/2/2004	\$14.94	\$14.72	1.50%
7/6/2004	\$14.98	\$14.79	1.30%
7/7/2004	\$14.90	\$14.81	0.60%
7/8/2004	\$15.02	\$14.82	1.30%
7/9/2004	\$15.00	\$14.85	1.00%
7/12/2004	\$15.02	\$14.89	0.90%
7/13/2004	\$15.05	\$14.91	0.90%
7/14/2004	\$15.19	\$14.93	1.70%
7/15/2004	\$15.22	\$14.95	1.80%
7/16/2004	\$15.20	\$14.98	1.50%
7/19/2004	\$15.15	\$15.03	0.80%
7/20/2004	\$15.26	\$15.07	1.30%
7/21/2004	\$15.20	\$14.89	2.10%
7/22/2004	\$15.15	\$14.86	2.00%
7/23/2004	\$15.18	\$14.85	2.20%
7/26/2004	\$15.15	\$14.82	2.20%
7/27/2004	\$15.06	\$14.74	2.20%
7/28/2004	\$15.19	\$14.76	2.90%
7/29/2004	\$15.19	\$14.76	2.90%
7/30/2004	\$15.15	\$14.82	2.20%
8/2/2004	\$15.16	\$14.82	2.30%
8/3/2004	\$15.20	\$14.81	2.60%
8/4/2004	\$15.38	\$14.81	3.80%
8/5/2004	\$15.43	\$14.83	4.00%
8/6/2004	\$15.37	\$14.86	3.40%
8/9/2004	\$15.40	\$14.86	3.60%
8/10/2004	\$15.34	\$14.79	3.70%
8/11/2004	\$15.45	\$14.78	4.50%
8/12/2004	\$15.53	\$14.79	5.00%
8/13/2004	\$15.44	\$14.81	4.30%
8/16/2004	\$15.55	\$14.82	4.90%
8/17/2004	\$15.55	\$14.83	4.90%
8/18/2004	\$15.49	\$14.85	4.30%
8/19/2004	\$15.48	\$14.88	4.00%
8/20/2004	\$15.55	\$14.88	4.50%
8/23/2004	\$15.32	\$14.79	3.60%
8/24/2004	\$15.38	\$14.81	3.80%
8/25/2004	\$15.31	\$14.83	3.20%
8/26/2004	\$15.39	\$14.85	3.60%
8/27/2004	\$15.49	\$14.85	4.30%
8/30/2004	\$15.59	\$14.87	4.80%
8/31/2004	\$15.58	\$14.87	4.80%
9/1/2004	\$15.54	\$14.89	4.40%
9/2/2004	\$15.52	\$14.89	4.20%
9/3/2004	\$15.53	\$14.91	4.20%

Edgar Filing: LEHMAN BROTHERS FIRST TRUST INCOME OPPORTUNITY FUND - Form N-CSRS

9/7/2004	\$15.65	\$14.94	4.80%
9/8/2004	\$15.47	\$14.97	3.30%
9/9/2004	\$15.61	\$15.02	3.90%
9/10/2004	\$15.73	\$15.06	4.40%
9/13/2004	\$15.78	\$15.12	4.40%
9/14/2004	\$15.76	\$15.12	4.20%
9/15/2004	\$15.84	\$15.09	5.00%
9/16/2004	\$15.88	\$15.10	5.20%
9/17/2004	\$15.85	\$15.11	4.90%
9/20/2004	\$15.87	\$15.13	4.90%
9/21/2004	\$15.57	\$15.01	3.70%
9/22/2004	\$15.60	\$15.03	3.80%
9/23/2004	\$15.59	\$15.07	3.50%
9/24/2004	\$15.67	\$15.03	4.30%
9/27/2004	\$15.79	\$15.04	5.00%
9/28/2004	\$15.82	\$15.03	5.30%
9/29/2004	\$15.80	\$15.03	5.10%
9/30/2004	\$15.93	\$15.02	6.10%
10/1/2004	\$15.75	\$15.03	4.80%
10/4/2004	\$15.82	\$15.05	5.10%
10/5/2004	\$15.80	\$15.08	4.80%
10/6/2004	\$15.94	\$15.12	5.40%
10/7/2004	\$15.89	\$15.13	5.00%
10/8/2004	\$15.93	\$15.15	5.10%
10/11/2004	\$16.04	\$15.16	5.80%
10/12/2004	\$15.91	\$15.20	4.70%
10/13/2004	\$16.06	\$15.18	5.80%
10/14/2004	\$16.11	\$15.20	6.00%
10/15/2004	\$16.29	\$15.20	7.20%
10/18/2004	\$16.35	\$15.20	7.60%
10/19/2004	\$16.30	\$15.19	7.30%
10/20/2004	\$16.26	\$15.04	8.10%
10/21/2004	\$16.16	\$15.07	7.20%
10/22/2004	\$16.13	\$15.08	7.00%
10/25/2004	\$16.25	\$15.12	7.50%
10/26/2004	\$16.08	\$15.16	6.10%
10/27/2004	\$15.87	\$15.20	4.40%
10/28/2004	\$15.91	\$15.24	4.40%
10/29/2004	\$15.86	\$15.32	3.50%
11/1/2004	\$15.92	\$15.34	3.80%
11/2/2004	\$16.16	\$15.37	5.10%
11/3/2004	\$16.16	\$15.44	4.70%
11/4/2004	\$16.31	\$15.51	5.20%
11/5/2004	\$16.30	\$15.53	5.00%
11/8/2004	\$15.94	\$15.53	2.60%
11/9/2004	\$15.83	\$15.52	2.00%
11/10/2004	\$15.98	\$15.47	3.30%
11/11/2004	\$16.10	\$15.46	4.10%
11/12/2004	\$16.10	\$15.49	3.90%
11/15/2004	\$16.25	\$15.52	4.70%
11/16/2004	\$16.25	\$15.53	4.60%
11/17/2004	\$16.31	\$15.54	5.00%
11/18/2004	\$16.26	\$15.58	4.40%
11/19/2004	\$16.35	\$15.57	5.00%
11/22/2004	\$16.28	\$15.44	5.40%
11/23/2004	\$16.30	\$15.46	5.40%
11/24/2004	\$16.34	\$15.47	5.60%
11/26/2004	\$16.34	\$15.48	5.60%
11/29/2004	\$16.20	\$15.46	4.80%
11/30/2004	\$16.10	\$15.41	4.50%
12/1/2004	\$16.23	\$15.41	5.30%
12/2/2004	\$16.00	\$15.40	3.90%

Edgar Filing: LEHMAN BROTHERS FIRST TRUST INCOME OPPORTUNITY FUND - Form N-CSRS

12/3/2004	\$16.40	\$15.43	6.30%
12/6/2004	\$16.27	\$15.46	5.20%
12/7/2004	\$16.29	\$15.48	5.20%
12/8/2004	\$16.31	\$15.51	5.20%
12/9/2004	\$16.18	\$15.54	4.10%
12/10/2004	\$16.10	\$15.55	3.50%
12/13/2004	\$16.24	\$15.58	4.20%
12/14/2004	\$16.43	\$15.60	5.30%
12/15/2004	\$16.45	\$15.64	5.20%
12/16/2004	\$16.41	\$15.64	4.90%
12/17/2004	\$16.48	\$15.63	5.40%
12/20/2004	\$16.24	\$15.51	4.70%
12/21/2004	\$16.20	\$15.53	4.30%
12/22/2004	\$16.08	\$15.54	3.50%
12/23/2004	\$16.26	\$15.55	4.60%
12/24/2004	\$16.26	\$15.55	4.60%
12/27/2004	\$16.09	\$15.57	3.30%
12/28/2004	\$16.15	\$15.56	3.80%
12/29/2004	\$16.28	\$15.57	4.60%
12/30/2004	\$16.39	\$15.59	5.10%
12/31/2004	\$16.48	\$15.59	5.70%
1/3/2005	\$16.27	\$15.63	4.10%
1/4/2005	\$16.30	\$15.65	4.20%
1/5/2005	\$16.23	\$15.61	4.00%
1/6/2005	\$16.14	\$15.60	3.50%
1/7/2005	\$15.98	\$15.61	2.40%
1/10/2005	\$16.30	\$15.60	4.50%
1/11/2005	\$16.33	\$15.55	5.00%
1/12/2005	\$16.36	\$15.55	5.20%
1/13/2005	\$16.37	\$15.54	5.30%
1/14/2005	\$16.30	\$15.53	5.00%
1/18/2005	\$16.33	\$15.51	5.30%
1/19/2005	\$16.17	\$15.54	4.10%
1/20/2005	\$16.01	\$15.37	4.20%
1/21/2005	\$16.00	\$15.36	4.20%
1/24/2005	\$15.99	\$15.38	4.00%
1/25/2005	\$16.06	\$15.40	4.30%
1/26/2005	\$15.91	\$15.42	3.20%
1/27/2005	\$15.96	\$15.45	3.30%
1/28/2005	\$15.91	\$15.46	2.90%
1/31/2005	\$15.91	\$15.49	2.70%
2/1/2005	\$15.93	\$15.51	2.70%
2/2/2005	\$15.91	\$15.56	2.20%
2/3/2005	\$15.85	\$15.60	1.60%
2/4/2005	\$15.84	\$15.65	1.20%
2/7/2005	\$15.89	\$15.70	1.20%
2/8/2005	\$15.98	\$15.75	1.50%
2/9/2005	\$16.00	\$15.70	1.90%
2/10/2005	\$15.99	\$15.68	2.00%
2/11/2005	\$15.99	\$15.68	2.00%
2/14/2005	\$16.05	\$15.70	2.20%
2/15/2005	\$16.00	\$15.72	1.80%
2/16/2005	\$15.78	\$15.63	1.00%
2/17/2005	\$15.81	\$15.64	1.10%
2/18/2005	\$15.73	\$15.64	0.60%
2/22/2005	\$15.39	\$15.64	-1.60%
2/23/2005	\$15.21	\$15.66	-2.90%
2/24/2005	\$15.41	\$15.69	-1.80%
2/25/2005	\$15.53	\$15.72	-1.20%
2/28/2005	\$15.50	\$15.75	-1.60%
3/1/2005	\$15.53	\$15.73	-1.30%
3/2/2005	\$15.48	\$15.71	-1.50%

Edgar Filing: LEHMAN BROTHERS FIRST TRUST INCOME OPPORTUNITY FUND - Form N-CSRS

3/3/2005	\$15.46	\$15.72	-1.70%
3/4/2005	\$15.44	\$15.73	-1.80%
3/7/2005	\$15.44	\$15.78	-2.20%
3/8/2005	\$15.48	\$15.78	-1.90%
3/9/2005	\$15.25	\$15.73	-3.10%
3/10/2005	\$15.22	\$15.73	-3.20%
3/11/2005	\$15.23	\$15.69	-2.90%
3/14/2005	\$15.30	\$15.66	-2.30%
3/15/2005	\$15.07	\$15.65	-3.70%
3/16/2005	\$15.00	\$15.53	-3.40%
3/17/2005	\$15.09	\$15.46	-2.40%
3/18/2005	\$15.05	\$15.45	-2.60%
3/21/2005	\$14.93	\$15.21	-1.80%
3/22/2005	\$14.99	\$15.12	-0.90%
3/23/2005	\$14.67	\$15.01	-2.30%
3/24/2005	\$14.20	\$15.02	-5.50%
3/25/2005	\$14.20	\$15.03	-5.50%
3/28/2005	\$14.16	\$15.00	-5.60%
3/29/2005	\$14.22	\$14.94	-4.80%
3/30/2005	\$14.42	\$14.85	-2.90%
3/31/2005	\$14.85	\$14.83	0.10%
4/1/2005	\$14.78	\$14.85	-0.50%
4/4/2005	\$14.76	\$14.81	-0.30%
4/5/2005	\$14.92	\$14.84	0.50%
4/6/2005	\$14.90	\$14.94	-0.30%
4/7/2005	\$14.90	\$15.01	-0.70%
4/8/2005	\$15.00	\$15.03	-0.20%
4/11/2005	\$14.95	\$14.98	-0.20%
4/12/2005	\$14.89	\$14.94	-0.30%
4/13/2005	\$14.89	\$14.94	-0.30%
4/14/2005	\$14.85	\$14.80	0.30%
4/15/2005	\$14.58	\$14.68	-0.70%
4/18/2005	\$14.68	\$14.61	0.50%
4/19/2005	\$14.74	\$14.67	0.50%
4/20/2005	\$14.75	\$14.60	1.00%
4/21/2005	\$14.60	\$14.65	-0.30%
4/22/2005	\$14.68	\$14.66	0.10%
4/25/2005	\$14.71	\$14.66	0.30%
4/26/2005	\$14.61	\$14.59	0.10%
4/27/2005	\$14.65	\$14.48	1.20%
4/28/2005	\$14.58	\$14.43	1.00%
4/29/2005	\$14.72	\$14.38	2.40%
5/2/2005	\$14.82	\$14.44	2.60%
5/3/2005	\$14.80	\$14.45	2.40%
5/4/2005	\$14.75	\$14.50	1.70%
5/5/2005	\$14.93	\$14.51	2.90%
5/6/2005	\$14.94	\$14.45	3.40%
5/9/2005	\$14.76	\$14.47	2.00%
5/10/2005	\$14.91	\$14.45	3.20%
5/11/2005	\$14.90	\$14.37	3.70%
5/12/2005	\$14.90	\$14.35	3.80%
5/13/2005	\$14.87	\$14.27	4.20%
5/16/2005	\$14.89	\$14.12	5.50%
5/17/2005	\$14.72	\$14.04	4.80%
5/18/2005	\$14.83	\$14.10	5.20%
5/19/2005	\$14.89	\$14.09	5.70%
5/20/2005	\$14.86	\$14.16	4.90%
5/23/2005	\$14.75	\$14.25	3.50%
5/24/2005	\$14.70	\$14.28	2.90%
5/25/2005	\$14.75	\$14.39	2.50%
5/26/2005	\$14.68	\$14.50	1.20%
5/27/2005	\$14.78	\$14.56	1.50%

Edgar Filing: LEHMAN BROTHERS FIRST TRUST INCOME OPPORTUNITY FUND - Form N-CSRS

5/31/2005	\$15.01	\$14.65	2.50%
6/1/2005	\$15.08	\$14.75	2.20%
6/2/2005	\$15.04	\$14.89	1.00%
6/3/2005	\$15.01	\$14.94	0.50%
6/6/2005	\$15.03	\$14.88	1.00%
6/7/2005	\$15.13	\$14.89	1.60%
6/8/2005	\$15.07	\$14.86	1.40%
6/9/2005	\$15.06	\$14.84	1.50%
6/10/2005	\$15.13	\$14.87	1.70%
6/13/2005	\$15.18	\$14.89	1.90%
6/14/2005	\$15.29	\$14.92	2.50%
6/15/2005	\$15.25	\$14.96	1.90%
6/16/2005	\$15.30	\$14.95	2.30%
6/17/2005	\$15.34	\$14.95	2.60%
6/20/2005	\$15.20	\$14.81	2.60%
6/21/2005	\$15.24	\$14.83	2.80%
6/22/2005	\$15.23	\$14.84	2.60%
6/23/2005	\$15.25	\$14.85	2.70%
6/24/2005	\$15.17	\$14.84	2.30%
6/27/2005	\$15.22	\$14.80	2.80%
6/28/2005	\$15.19	\$14.87	2.20%
6/29/2005	\$15.25	\$14.91	2.30%
6/30/2005	\$15.27	\$14.95	2.10%
7/1/2005	\$15.31	\$14.96	2.30%
7/5/2005	\$15.40	\$14.94	3.10%
7/6/2005	\$15.60	\$14.95	4.30%
7/7/2005	\$15.65	\$14.95	4.70%
7/8/2005	\$15.70	\$14.98	4.80%
7/11/2005	\$15.75	\$15.06	4.60%
7/12/2005	\$15.90	\$15.11	5.20%
7/13/2005	\$15.77	\$15.13	4.20%
7/14/2005	\$15.94	\$15.16	5.10%
7/15/2005	\$15.95	\$15.16	5.20%
7/18/2005	\$15.98	\$15.16	5.40%
7/19/2005	\$15.99	\$15.16	5.50%
7/20/2005	\$15.79	\$15.02	5.10%
7/21/2005	\$15.76	\$15.03	4.90%
7/22/2005	\$15.92	\$15.04	5.90%
7/25/2005	\$15.93	\$15.07	5.70%
7/26/2005	\$15.86	\$15.09	5.10%
7/27/2005	\$15.96	\$15.11	5.60%
7/28/2005	\$15.89	\$15.14	5.00%
7/29/2005	\$15.93	\$15.15	5.10%
8/1/2005	\$15.91	\$15.13	5.20%
8/2/2005	\$15.92	\$15.13	5.20%
8/3/2005	\$15.77	\$15.12	4.30%
8/4/2005	\$15.76	\$15.11	4.30%
8/5/2005	\$15.49	\$15.06	2.90%
8/8/2005	\$15.27	\$15.01	1.70%
8/9/2005	\$15.25	\$15.03	1.50%
8/10/2005	\$15.53	\$15.05	3.20%
8/11/2005	\$15.54	\$15.07	3.10%
8/12/2005	\$15.55	\$15.10	3.00%
8/15/2005	\$15.67	\$15.10	3.80%
8/16/2005	\$15.68	\$15.12	3.70%
8/17/2005	\$15.80	\$15.12	4.50%
8/18/2005	\$15.86	\$15.15	4.70%
8/19/2005	\$15.98	\$15.17	5.30%
8/22/2005	\$15.89	\$15.02	5.80%
8/23/2005	\$15.95	\$15.05	6.00%
8/24/2005	\$15.91	\$15.06	5.60%
8/25/2005	\$15.83	\$15.09	4.90%

Edgar Filing: LEHMAN BROTHERS FIRST TRUST INCOME OPPORTUNITY FUND - Form N-CSRS

8/26/2005	\$15.85	\$15.10	5.00%
8/29/2005	\$15.87	\$15.09	5.20%
8/30/2005	\$15.86	\$15.07	5.20%
8/31/2005	\$15.82	\$15.05	5.10%
9/1/2005	\$15.71	\$15.04	4.50%
9/2/2005	\$15.70	\$15.02	4.50%
9/6/2005	\$15.71	\$15.04	4.50%
9/7/2005	\$15.78	\$15.04	4.90%
9/8/2005	\$15.81	\$15.05	5.00%
9/9/2005	\$15.90	\$15.06	5.60%
9/12/2005	\$15.97	\$15.07	6.00%
9/13/2005	\$15.99	\$15.08	6.00%
9/14/2005	\$15.96	\$15.07	5.90%
9/15/2005	\$15.79	\$15.05	4.90%
9/16/2005	\$15.82	\$15.01	5.40%
9/19/2005	\$15.80	\$14.96	5.60%
9/20/2005	\$15.87	\$14.91	6.40%
9/21/2005	\$15.79	\$14.75	7.10%
9/22/2005	\$15.73	\$14.71	6.90%
9/23/2005	\$15.73	\$14.72	6.90%
9/26/2005	\$15.72	\$14.76	6.50%
9/27/2005	\$15.74	\$14.74	6.80%
9/28/2005	\$15.54	\$14.73	5.50%
9/29/2005	\$15.57	\$14.73	5.70%
9/30/2005	\$15.64	\$14.73	6.20%
10/3/2005	\$15.87	\$14.74	7.70%
10/4/2005	\$15.85	\$14.75	7.50%
10/5/2005	\$15.65	\$14.73	6.20%
10/6/2005	\$15.55	\$14.70	5.80%
10/7/2005	\$15.84	\$14.68	7.90%
10/10/2005	\$15.78	\$14.70	7.30%
10/11/2005	\$15.53	\$14.62	6.20%
10/12/2005	\$15.50	\$14.53	6.70%
10/13/2005	\$15.12	\$14.44	4.70%
10/14/2005	\$15.30	\$14.50	5.50%
10/17/2005	\$15.42	\$14.62	5.50%
10/18/2005	\$15.50	\$14.69	5.50%
10/19/2005	\$15.46	\$14.68	5.30%
10/20/2005	\$15.13	\$14.55	4.00%
10/21/2005	\$15.05	\$14.61	3.00%
10/24/2005	\$15.20	\$14.61	4.00%
10/25/2005	\$15.37	\$14.61	5.20%
10/26/2005	\$15.46	\$14.52	6.50%
10/27/2005	\$15.24	\$14.48	5.20%
10/28/2005	\$15.10	\$14.45	4.50%
10/31/2005	\$15.14	\$14.48	4.60%
11/1/2005	\$15.10	\$14.50	4.10%
11/2/2005	\$15.15	\$14.50	4.50%
11/3/2005	\$15.11	\$14.52	4.10%
11/4/2005	\$15.16	\$14.51	4.50%
11/7/2005	\$15.12	\$14.55	3.90%
11/8/2005	\$15.17	\$14.54	4.30%
11/9/2005	\$15.30	\$14.51	5.40%
11/10/2005	\$15.29	\$14.49	5.50%
11/11/2005	\$15.40	\$14.50	6.20%
11/14/2005	\$15.52	\$14.45	7.40%
11/15/2005	\$15.54	\$14.45	7.50%
11/16/2005	\$15.57	\$14.42	8.00%
11/17/2005	\$15.46	\$14.40	7.40%
11/18/2005	\$15.36	\$14.32	7.30%
11/21/2005	\$15.29	\$14.35	6.60%
11/22/2005	\$15.33	\$14.37	6.70%

Edgar Filing: LEHMAN BROTHERS FIRST TRUST INCOME OPPORTUNITY FUND - Form N-CSRS

11/23/2005	\$15.31	\$14.37	6.50%
11/25/2005	\$15.36	\$14.38	6.80%
11/28/2005	\$15.40	\$14.42	6.80%
11/29/2005	\$15.40	\$14.45	6.60%
11/30/2005	\$15.24	\$14.45	5.50%
12/1/2005	\$15.40	\$14.47	6.40%
12/2/2005	\$15.46	\$14.50	6.60%
12/5/2005	\$15.36	\$14.48	6.10%
12/6/2005	\$15.30	\$14.49	5.60%
12/7/2005	\$15.50	\$14.49	7.00%
12/8/2005	\$15.47	\$14.49	6.80%
12/9/2005	\$15.60	\$14.53	7.40%
12/12/2005	\$15.64	\$14.55	7.50%
12/13/2005	\$15.54	\$14.57	6.70%
12/14/2005	\$15.50	\$14.59	6.20%
12/15/2005	\$15.56	\$14.57	6.80%
12/16/2005	\$15.67	\$14.59	7.40%
12/19/2005	\$15.64	\$14.61	7.00%
12/20/2005	\$15.64	\$14.44	8.30%
12/21/2005	\$15.64	\$14.44	8.30%
12/22/2005	\$15.60	\$14.46	7.90%
12/23/2005	\$15.69	\$14.46	8.50%
12/27/2005	\$15.60	\$14.49	7.70%
12/28/2005	\$15.51	\$14.50	7.00%
12/29/2005	\$15.50	\$14.50	6.90%
12/30/2005	\$15.61	\$14.51	7.60%
1/3/2006	\$15.71	\$14.54	8.00%
1/4/2006	\$15.68	\$14.58	7.50%
1/5/2006	\$15.70	\$14.63	7.30%
1/6/2006	\$15.64	\$14.68	6.50%
1/9/2006	\$15.78	\$14.72	7.20%
1/10/2006	\$15.84	\$14.70	7.80%
1/11/2006	\$15.81	\$14.69	7.60%
1/12/2006	\$15.62	\$14.67	6.50%
1/13/2006	\$15.12	\$14.68	3.00%
1/17/2006	\$14.75	\$14.64	0.80%
1/18/2006	\$14.78	\$14.65	0.90%
1/19/2006	\$14.87	\$14.56	2.10%
1/20/2006	\$14.80	\$14.54	1.80%
1/23/2006	\$14.73	\$14.56	1.20%
1/24/2006	\$14.50	\$14.59	-0.60%
1/25/2006	\$14.26	\$14.60	-2.30%
1/26/2006	\$13.81	\$14.59	-5.30%
1/27/2006	\$14.08	\$14.60	-3.60%
1/30/2006	\$13.92	\$14.64	-4.90%
1/31/2006	\$14.04	\$14.64	-4.10%
2/1/2006	\$14.08	\$14.65	-3.90%
2/2/2006	\$14.27	\$14.65	-2.60%
2/3/2006	\$14.17	\$14.64	-3.20%
2/6/2006	\$14.20	\$14.66	-3.10%
2/7/2006	\$14.28	\$14.61	-2.30%
2/8/2006	\$14.42	\$14.62	-1.40%
2/9/2006	\$14.37	\$14.62	-1.70%
2/10/2006	\$14.34	\$14.62	-1.90%
2/13/2006	\$14.35	\$14.62	-1.80%
2/14/2006	\$14.55	\$14.59	-0.30%
2/15/2006	\$14.40	\$14.61	-1.40%
2/16/2006	\$14.59	\$14.52	0.50%
2/17/2006	\$14.65	\$14.57	0.50%
2/21/2006	\$14.69	\$14.59	0.70%
2/22/2006	\$14.94	\$14.62	2.20%
2/23/2006	\$15.20	\$14.62	4.00%

Edgar Filing: LEHMAN BROTHERS FIRST TRUST INCOME OPPORTUNITY FUND - Form N-CSRS

2/24/2006	\$15.05	\$14.63	2.90%
2/27/2006	\$14.97	\$14.64	2.30%
2/28/2006	\$15.09	\$14.64	3.10%
3/1/2006	\$15.04	\$14.62	2.90%
3/2/2006	\$15.13	\$14.59	3.70%
3/3/2006	\$14.95	\$14.58	2.50%
3/6/2006	\$14.94	\$14.57	2.50%
3/7/2006	\$14.90	\$14.53	2.50%
3/8/2006	\$15.00	\$14.52	3.30%
3/9/2006	\$14.96	\$14.50	3.20%
3/10/2006	\$14.95	\$14.50	3.10%
3/13/2006	\$14.90	\$14.51	2.70%
3/14/2006	\$14.93	\$14.54	2.70%
3/15/2006	\$14.92	\$14.56	2.50%
3/16/2006	\$15.03	\$14.60	2.90%
3/17/2006	\$15.00	\$14.61	2.70%
3/20/2006	\$15.02	\$14.63	2.70%
3/21/2006	\$14.89	\$14.53	2.50%
3/22/2006	\$14.98	\$14.54	3.00%
3/23/2006	\$14.86	\$14.54	2.20%
3/24/2006	\$14.88	\$14.55	2.30%
3/27/2006	\$14.82	\$14.56	1.80%
3/28/2006	\$14.61	\$14.57	0.30%
3/29/2006	\$14.65	\$14.53	0.80%
3/30/2006	\$14.45	\$14.52	-0.50%
3/31/2006	\$14.50	\$14.54	-0.30%
4/3/2006	\$14.47	\$14.56	-0.60%
4/4/2006	\$14.41	\$14.56	-1.00%
4/5/2006	\$14.36	\$14.56	-1.40%
4/6/2006	\$14.32	\$14.54	-1.50%
4/7/2006	\$14.09	\$14.54	-3.10%
4/10/2006	\$13.97	\$14.53	-3.90%
4/11/2006	\$13.94	\$14.55	-4.20%
4/12/2006	\$14.01	\$14.56	-3.80%
4/13/2006	\$13.91	\$14.53	-4.30%
4/14/2006	\$13.91	\$14.53	-4.30%
4/17/2006	\$13.91	\$14.55	-4.40%
4/18/2006	\$13.98	\$14.56	-4.00%
4/19/2006	\$13.94	\$14.46	-3.60%
4/20/2006	\$13.97	\$14.48	-3.50%
4/21/2006	\$14.11	\$14.51	-2.80%
4/24/2006	\$14.06	\$14.54	-3.30%
4/25/2006	\$14.00	\$14.53	-3.60%
4/26/2006	\$13.92	\$14.51	-4.10%
4/27/2006	\$13.83	\$14.52	-4.80%
4/28/2006	\$13.75	\$14.54	-5.40%
5/1/2006	\$13.66	\$14.56	-6.20%
5/2/2006	\$13.78	\$14.57	-5.40%
5/3/2006	\$13.75	\$14.58	-5.70%
5/4/2006	\$13.81	\$14.58	-5.30%
5/5/2006	\$13.83	\$14.59	-5.20%
5/8/2006	\$13.84	\$14.64	-5.50%
5/9/2006	\$13.80	\$14.66	-5.90%
5/10/2006	\$13.85	\$14.67	-5.60%
5/11/2006	\$13.79	\$14.70	-6.20%
5/12/2006	\$13.84	\$14.66	-5.60%
5/15/2006	\$13.86	\$14.64	-5.30%
5/16/2006	\$14.03	\$14.63	-4.10%
5/17/2006	\$13.81	\$14.55	-5.10%
5/18/2006	\$13.79	\$14.57	-5.40%
5/19/2006	\$13.79	\$14.49	-4.80%
5/22/2006	\$13.83	\$14.45	-4.30%



Edgar Filing: LEHMAN BROTHERS FIRST TRUST INCOME OPPORTUNITY FUND - Form N-CSRS

5/23/2006	\$13.82	\$14.45	-4.40%
5/24/2006	\$13.74	\$14.42	-4.70%
5/25/2006	\$13.83	\$14.44	-4.20%
5/26/2006	\$13.76	\$14.46	-4.80%
5/30/2006	\$13.72	\$14.45	-5.10%
5/31/2006	\$13.77	\$14.45	-4.70%
6/1/2006	\$13.76	\$14.45	-4.80%
6/2/2006	\$13.88	\$14.49	-4.20%
6/5/2006	\$13.89	\$14.48	-4.10%
6/6/2006	\$13.80	\$14.44	-4.40%
6/7/2006	\$13.81	\$14.46	-4.50%
6/8/2006	\$13.77	\$14.43	-4.60%
6/9/2006	\$13.86	\$14.45	-4.10%
6/12/2006	\$13.77	\$14.46	-4.80%
6/13/2006	\$13.76	\$14.42	-4.60%
6/14/2006	\$13.73	\$14.33	-4.20%
6/15/2006	\$13.66	\$14.32	-4.60%
6/16/2006	\$13.58	\$14.31	-5.10%
6/19/2006	\$13.54	\$14.30	-5.30%
6/20/2006	\$13.55	\$14.28	-5.10%
6/21/2006	\$13.40	\$14.10	-5.00%
6/22/2006	\$13.50	\$14.08	-4.10%
6/23/2006	\$13.58	\$14.08	-3.60%
6/26/2006	\$13.57	\$14.06	-3.50%
6/27/2006	\$13.46	\$14.08	-4.40%
6/28/2006	\$13.45	\$14.07	-4.40%
6/29/2006	\$13.53	\$14.14	-4.30%
6/30/2006	\$13.58	\$14.23	-4.60%

TOP INDUSTRIES (% OF TOTAL INVESTMENTS)

[CHART]

Media Broadcasting & Publishing	15.7%
Automotive	12.6%
Entertainment & Leisure	9.8%
Oil & Gas	8.1%
Telephone Systems	7.2%
Commercial Services	6.1%
Electric Utilities	5.9%
Health Care Providers	5.3%
Retailers	4.4%
Communications	3.6%
Other	21.3%

MATURITY BREAKDOWN

(% OF TOTAL INVESTMENTS AND CASH)

[CHART]

LESS THAN 1 Year	2.9%
1-3 Years	5.1%
3-5 Years	16.4%
5-7 Years	26.5%
7-10 Years	36.6%
10+ Years	12.5%

- 
1. Unless noted, data at or for six months ended June 30, 2006. High yield securities, also known as "junk bonds," are subject to additional risks such as the increased risk of default. Portfolio holdings are subject to change.
  2. Performance for NAV and Market Price assume reinvestment of all dividends and capital gains. Shares of the Fund fluctuate in value. Fund performance changes over time and currently may be different from that shown as of 6/30/06. Past performance is no guarantee of future results. More current Fund performance information can be obtained by visiting the Fund's website at [www.lbftincomeopportunity.com](http://www.lbftincomeopportunity.com).
  3. Not annualized.

LEHMAN BROTHERS FIRST TRUST INCOME OPPORTUNITY FUND

SCHEDULE OF INVESTMENTS

JUNE 30, 2006  
(UNAUDITED)

PRINCIPAL AMOUNT	DESCRIPTION	S&P RATINGS	MOODY'S RATINGS	FI RATINGS
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	
TOTAL ASSET BACKED SECURITIES (IDENTIFIED COST \$1,300,128)				
CORPORATE DEBT -- 146.3% OF TOTAL NET ASSETS				
AUTOMOTIVE -- 18.6%				
1,100,000	Ford Motor Credit Co., Global Note 7.375%, 10/28/2009	B	Ba	
5,000,000	Ford Motor Credit Co., Note 6.500%, 1/25/2007	B	Ba	
6,870,000	Ford Motor Credit Co., Note, 144A 9.750%, 9/15/2010	B	Ba	
2,630,000	Ford Motor Credit Co., Senior Note 4.950%, 1/15/2008	B	Ba	
2,495,000	General Motors Acceptance Corp., Global Note 5.125%, 5/09/2008	BB	Ba	
4,900,000	General Motors Acceptance Corp., Global Note 6.125%, 1/22/2008	BB	Ba	
4,375,000	General Motors Acceptance Corp., Global Note 6.875%, 9/15/2011	BB	Ba	
935,000	General Motors Acceptance Corp., Senior Note 7.000%, 2/01/2012	BB	Ba	
4,360,000	General Motors Corp., Senior Note 8.250%, 7/15/2023	B	Caa	
1,580,000	Goodyear Tire & Rubber Co. Senior Note 9.000%, 7/01/2015	B	B	

Edgar Filing: LEHMAN BROTHERS FIRST TRUST INCOME OPPORTUNITY FUND - Form N-CSRS

	BEVERAGES, FOOD & TOBACCO -- 0.7%		
1,120,000	Le-Natures, Inc., Senior Subordinated Note, 144A 9.000%, 6/15/2013	CCC	B
	BUILDING MATERIALS -- 1.6%		
1,290,000	Nortek, Inc., Senior Subordinated Note 8.500%, 9/01/2014	CCC	Caa
2,140,000	NTK Holdings, Inc., Senior Note, Step-Up 0.000%/10.750%, 3/01/2014 (c)	CCC	Caa

See accompanying notes to financial statements.

LEHMAN BROTHERS FIRST TRUST INCOME OPPORTUNITY FUND

SCHEDULE OF INVESTMENTS (CONTINUED)

PRINCIPAL AMOUNT	DESCRIPTION	S&P RATINGS	MOODY'S RATINGS	FI RAT
CORPORATE DEBT -- CONTINUED				
	CHEMICALS -- 3.8%			
\$1,550,000	AmeriGas Partners, LP, Senior Note 7.250%, 5/20/2015	BB	B	
670,000	AmeriGas Partners, LP/AP Eagle Finance Corp., Senior Note 7.125%, 5/20/2016	BB	B	
1,155,000	Equistar Chemicals, LP/Equistar Funding Corp., Senior Note 10.625%, 5/01/2011	BB	B	
915,000	Methanex Corp., Senior Note 8.750%, 8/15/2012	BBB	Ba	
670,000	Nell AF Sarl, Guaranteed Senior Subordinated Note, 144A 8.375%, 8/15/2015	B	B	
1,745,000	PQ Corp., Senior Subordinated Note 7.500%, 2/15/2013	B	B	
	COAL -- 3.7%			
2,650,000	Arch Western Finance LLC, Guaranteed Senior Note 6.750%, 7/01/2013			
2,800,000	Massey Energy Co., Senior Note 6.875%, 12/15/2013	BB	Ba	
1,275,000	Peabody Energy Corp., Senior Note 6.875%, 3/15/2013	BB	B	
		BB	Ba	
	COMMERCIAL SERVICES -- 9.0%			
1,375,000	Allied Waste North America Inc., Senior Note 7.250%, 3/15/2015	BB	B	
2,300,000	Cardtronics, Inc., Senior Subordinated Note, 144A 9.250%, 8/15/2013	B	Caa	
1,320,000	Education Management LLC/Education Management Corp., Senior Note, 144A 8.750%, 6/01/2014	CCC	B	

Edgar Filing: LEHMAN BROTHERS FIRST TRUST INCOME OPPORTUNITY FUND - Form N-CSRS

2,945,000	Knowledge Learning Corp., Inc., Senior Subordinated Note, 144A 7.750%, 2/01/2015	B	B
3,105,000	Language Line, Inc., Note 11.125%, 6/15/2012	CCC	Caa
3,105,000	Monitronics International, Inc., Senior Subordinated Note 11.750%, 9/01/2010	B	B
2,125,000	Service Corp. International/US, Senior Note, 144A Step-Up 7.000%/8.000%, 6/15/2017 (c)	BB	Ba

See accompanying notes to financial statements.

PRINCIPAL AMOUNT	DESCRIPTION	S&P RATINGS	MOODY'S RATINGS
CORPORATE DEBT -- CONTINUED			
COMMUNICATIONS -- 5.3%			
\$1,335,000	Dycom Industries, Inc., Senior Subordinated Note 8.125%, 10/15/2015	B	Ba
2,200,000	Intelsat Bermuda, Ltd., Guaranteed Senior Note, 144A 9.250%, 6/15/2016 (d)	B	B
3,375,000	Intelsat Subsidiary Holding Co., Ltd., Guaranteed Senior Note 8.625%, 1/15/2015	B	B
450,000	L-3 Communications Corp., Senior Subordinated Note 5.875%, 1/15/2015	BB	Ba
1,830,000	L-3 Communications Corp., Senior Subordinated Note 7.625%, 6/15/2012	BB	Ba
COMPUTERS -- 1.9%			
3,225,000	Sungard Data Systems, Inc., Senior Note, 144A 9.125%, 8/15/2013	B	B
CONTAINERS & PACKAGING -- 2.9%			
860,000	Ball Corp., Guaranteed Senior Note 6.875%, 12/15/2012	BB	Ba
1,855,000	Crown Americas, Inc., Guaranteed Senior Note, 144A 7.750%, 11/15/2015	B	B
2,345,000	Owens-Brockway Glass Container, Senior Secured Note 8.750%, 11/15/2012	BB	B
ELECTRIC UTILITIES -- 8.7%			
1,445,000	AES Corp. 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	B
2,485,000	Midwest Generation LLC, Senior Secured Note 8.750%, 5/01/2034	B	Ba
2,595,000	Mirant Americas Generation, Inc., Senior Note 8.300%, 5/01/2011	B	B
1,410,000	Mission Energy Holding Co., Senior Secured Note 13.500%, 7/15/2008	B	B
1,300,000	NRG Energy, Inc., Senior Note 7.375%, 2/01/2016	B	B
1,580,000	TECO Energy, Inc., Note 7.500%, 6/15/2010	BB	Ba

Edgar Filing: LEHMAN BROTHERS FIRST TRUST INCOME OPPORTUNITY FUND - Form N-CSRS

See accompanying notes to financial statements.

7

LEHMAN BROTHERS FIRST TRUST INCOME OPPORTUNITY FUND

SCHEDULE OF INVESTMENTS (CONTINUED)

PRINCIPAL AMOUNT	DESCRIPTION	S&P RATINGS	MOODY'S RATINGS
CORPORATE DEBT -- CONTINUED			
ELECTRIC UTILITIES -- CONTINUED			
\$1,500,000	TXU Corp., Series Q, Senior Note 6.500%, 11/15/2024	BB	Ba
ELECTRONICS -- 2.6%			
1,350,000	Flextronics International Ltd., Senior Subordinated Note 6.500%, 5/15/2013	BB	Ba
1,565,000	Sensata Technologies BV, Senior Note, 144A 8.000%, 5/01/2014	B	B
1,720,000	Xerox Corp., Note 7.625%, 6/15/2013	BB	Ba
ENTERTAINMENT & LEISURE -- 14.4%			
1,210,000	AMC Entertainment, Inc., Senior Subordinated Note 11.000%, 2/01/2016	CCC	B
2,160,000	AMF Bowling Worldwide, Inc., Senior Subordinated Note 10.000%, 3/01/2010	CCC	Caa
1,750,000	Blockbuster, Inc., Senior Subordinated Note 9.000%, 9/01/2012	CCC	Caa
990,000	Choctaw Resort Development Enterprise, Senior Note, 144A 7.250%, 11/15/2019	BB	B
2,630,000	Chukchansi Economic Development Authority, Note, 144A 8.000%, 11/15/2013	BB	B
2,000,000	Chumash Casino & Resort Enterprise, Senior Note, 144A 9.000%, 7/15/2010	BB	Ba
1,115,000	Majestic Star Casino LLC/ Majestic Star Casino Cap, Senior Note 9.500%, 10/15/2010	BB	B
500,000	Majestic Star Casino LLC/ Majestic Star Casino Capital Corp. II, Senior Secured Note, 144A 9.750%, 1/15/2011	B	B
1,090,000	Marquee, Inc., Series B, Senior Note 8.625%, 8/15/2012	B	B
1,370,000	MGM Mirage, Guaranteed Senior Note 8.500%, 9/15/2010	BB	Ba
1,275,000	Mohegan Tribal Gaming Authority, Senior Subordinated Note 8.000%, 4/01/2012	B	Ba
1,550,000	Pokagon Gaming Authority, Senior Note, 144A 10.375%, 6/15/2014	B	B

See accompanying notes to financial statements.

Edgar Filing: LEHMAN BROTHERS FIRST TRUST INCOME OPPORTUNITY FUND - Form N-CSRS

PRINCIPAL AMOUNT	DESCRIPTION	S&P RATINGS	MOODY'S RATINGS	FIT RATI
CORPORATE DEBT -- CONTINUED				
ENTERTAINMENT & LEISURE -- CONTINUED				
\$1,255,000	Royal Caribbean Cruises Ltd., Senior Note 7.500%, 10/15/2027	BBB	Ba	N
1,475,000	San Pasqual Casino, Senior Note, 144A 8.000%, 9/15/2013	B	B	N
480,000	Station Casinos, Inc., Senior Note 6.000%, 4/01/2012	BB	Ba	N
1,730,000	Station Casinos, Inc., Senior Subordinated Note 6.875%, 3/01/2016	B	B	N
3,385,000	WGM Holdings Corp., Senior Note, Step-Up 0.000%/9.500%, 12/15/2014 (c)	B	B	
FINANCIAL SERVICES -- 1.1%				
500,000	American Real Estate Partners, LP, Senior Note 8.125%, 6/01/2012	BB	Ba	N
1,470,000	American Real Estate Partners, LP/American Real Estate Finance Corp., Senior Note 7.125%, 2/15/2013	BB	Ba	N
FOREST PRODUCTS & PAPER -- 1.8%				
1,090,000	Bowater, Inc., Note 9.000%, 8/01/2009	B	B	B
535,000	Bowater, Inc., Senior Note, (FRN) 8.329%, 3/15/2010	B	B	B
310,000	Graphic Packaging International Corp., Senior Subordinated Note 9.500%, 8/15/2013	B	B	N
1,200,000	Graphic Packaging International Corp., Senior Note 8.500%, 8/15/2011	B	B	N
HEALTH CARE PROVIDERS -- 7.9%				
1,370,000	Multiplan, Inc., Senior Subordinated Note, 144A 10.375%, 4/15/2016	B	Caa	N
1,465,000	National Mentor Holdings, Senior Subordinated Note, 144A 11.250%, 7/01/2014	CCC	Caa	N
2,100,000	Rural/Metro Corp., Senior Subordinated Note 9.875%, 3/15/2015	CCC	B	N
1,460,000	Select Medical Corp., Guaranteed Senior Subordinated Note 7.625%, 2/01/2015	B	B	N

See accompanying notes to financial statements.

Edgar Filing: LEHMAN BROTHERS FIRST TRUST INCOME OPPORTUNITY FUND - Form N-CSRS

SCHEDULE OF INVESTMENTS (CONTINUED)

PRINCIPAL AMOUNT	DESCRIPTION	S&P RATINGS	MOODY'S RATINGS	FIT RATINGS
CORPORATE DEBT -- CONTINUED				
HEALTH CARE PROVIDERS -- CONTINUED				
\$2,485,000	Spheris, Inc., Senior Subordinated Note 11.000%, 12/15/2012	CCC	Caa	NR
1,260,000	Triad Hospitals, Inc., Senior Subordinated Note 7.000%, 11/15/2013	B	B	B
1,595,000	US Oncology Holdings, Inc., Senior Note, (FRN) 10.320%, 3/15/2015	B	Caa	NR
900,000	US Oncology, Inc., Senior Note 9.000%, 8/15/2012	B	B	NR
1,330,000	Ventas Realty, LP/Ventas Capital Corp. REIT, Senior Note 6.500%, 6/01/2016	BB	Ba	NR
HEAVY MACHINERY -- 1.0%				
570,000	Mueller Group, Inc., Senior Subordinated Note 10.000%, 5/01/2012	B	B	NR
1,250,000	Mueller Holdings, Inc., Senior Note, Step-Up 0.000%/14.750%, 4/15/2014 (c)	B	Caa	NR
HOME CONSTRUCTION, FURNISHINGS & APPLIANCES -- 0.3%				
560,000	K Hovnanian Enterprises, Inc., Senior Note 8.000%, 4/01/2012	BB	Ba	BB
MEDIA - BROADCASTING & PUBLISHING -- 23.1%				
2,005,000	CCH I Holdings LLC, Guaranteed Senior Note 10.000%, 5/15/2014	CCC	Ca	CC
633,000	CCH I LLC, Senior Secured Note 11.000%, 10/01/2015	CCC	Caa	CC
1,000,000	Charter Communications Operating LLC/Charter Communications Capital Corp., Senior Note, 144A 8.375%, 4/30/2014	B	B	B
2,420,000	CMP Susquehanna Corp., Senior Subordinated Note, 144A 9.875%, 5/15/2014	CCC	B	NR
2,525,000	CSC Holdings, Inc., Series B, Senior Note 8.125%, 8/15/2009	B	B	BB
2,960,000	Dex Media, Inc., Note 8.000%, 11/15/2013	B	B	CC
1,800,000	DirecTV Holdings LLC/DirecTV Financing Co., Senior Note 8.375%, 3/15/2013	BB	Ba	BB
2,010,000	Echostar DBS Corp., Guaranteed Senior Note, 144A 7.125%, 2/01/2016	BB	Ba	BB

See accompanying notes to financial statements.

PRINCIPAL AMOUNT	DESCRIPTION	S&P RATINGS	MOODY'S RATINGS	FIT RATINGS
------------------	-------------	-------------	-----------------	-------------

Edgar Filing: LEHMAN BROTHERS FIRST TRUST INCOME OPPORTUNITY FUND - Form N-CSRS

CORPORATE DEBT -- CONTINUED

MEDIA - BROADCASTING & PUBLISHING -- CONTINUED

PRINCIPAL AMOUNT	DESCRIPTION	S&P RATINGS	MOODY'S RATINGS	FITCH RATINGS
\$1,400,000	Echostar DBS Corp., Senior Note 6.625%, 10/01/2014	BB	Ba	BB
720,000	Entercom Radio LLC/Entercom Capital, Inc., Senior Subordinated Note 7.625%, 3/01/2014	B	Ba	NR
3,975,000	Houghton Mifflin Co., Senior Note 8.250%, 2/01/2011	CCC	B	B
1,675,000	Liberty Media Corp., Senior Note 8.500%, 7/15/2029	BB	Ba	BB
580,000	LIN Television Corp., Senior Subordinated Note 6.500%, 5/15/2013	B	B	NR
675,000	LIN Television Corp., Series B, Senior Subordinated Note 6.500%, 5/15/2013	B	B	NR
320,000	Mediacom Broadband LLC, Senior Note 8.500%, 10/15/2015	B	B	B
2,070,000	Mediacom LLC/Mediacom Capital Corp., Senior Note 9.500%, 1/15/2013	B	B	CC
5,615,000	Paxson Communications Corp., Senior Note, 144A, (FRN) 11.318%, 1/15/2013	CCC	B	NR
2,375,000	Primedia, Inc., Senior Note 8.875%, 5/15/2011	B	B	NR
300,000	Primedia, Inc., Senior Note, (FRN) 10.545%, 5/15/2010	B	B	NR
3,130,000	RH Donnelley Corp., Senior Note, 144A 8.875%, 1/15/2016	B	Caa	CC
785,000	Rogers Cable, Inc., Senior Secured Note 7.875%, 5/01/2012	BB	Ba	BB
1,355,000	Rogers Cable, Inc., Senior Secured Note 8.750%, 5/01/2032	BB	Ba	BB
1,025,000	Young Broadcasting, Inc., Senior Subordinated Note 8.750%, 1/15/2014	CCC	Caa	NR
190,000	Young Broadcasting, Inc., Senior Subordinated Note 10.000%, 3/01/2011	CCC	Caa	NR
	MEDICAL SUPPLIES -- 1.9%			
4,995,000	CDRV Investors, Inc., Senior Note, Step-Up 0.000%/9.625%, 1/01/2015 (c)	B	Caa	NR

See accompanying notes to financial statements.

LEHMAN BROTHERS FIRST TRUST INCOME OPPORTUNITY FUND

SCHEDULE OF INVESTMENTS (CONTINUED)

PRINCIPAL AMOUNT	DESCRIPTION	S&P RATINGS	MOODY'S RATINGS	FITCH RATINGS
	CORPORATE DEBT -- CONTINUED			
	OIL & GAS -- 12.0%			
\$2,065,000	Chesapeake Energy Corp., Senior Note			



Edgar Filing: LEHMAN BROTHERS FIRST TRUST INCOME OPPORTUNITY FUND - Form N-CSRS

	6.375%, 6/15/2015	BB	Ba
210,000	Chesapeake Energy Corp., Senior Note		
	7.000%, 8/15/2014	BB	Ba
3,290,000	Chesapeake Energy Corp., Senior Note		
	7.625%, 7/15/2013	BB	Ba
2,650,000	El Paso Corp., Note, 144A		
	7.750%, 6/15/2010	B	B
920,000	El Paso Corp., Senior Note, 144A		
	9.625%, 5/15/2012	B	B
2,190,000	El Paso Natural Gas Co., Note		
	8.375%, 6/15/2032	B	Ba
2,015,000	Ferrellgas Partners, LP/Ferrellgas Partners Finance Corp., Senior Note		
	8.750%, 6/15/2012	B	B
840,000	Forest Oil Corp., Senior Note		
	7.750%, 5/01/2014	B	Ba
1,090,000	Forest Oil Corp., Senior Note		
	8.000%, 12/15/2011	B	Ba
1,770,000	Kerr-McGee Corp., Note		
	6.950%, 7/01/2024	BB	Ba
500,000	Newfield Exploration Co., Senior Note		
	7.625%, 3/01/2011	BB	Ba
435,000	Southern Natural Gas Co., Note		
	8.000%, 3/01/2032	B	Ba
740,000	Targa Resources, Inc., Senior Note, 144A		
	8.500%, 11/01/2013	B	B
2,025,000	Transcontinental Gas Pipe Line Corp., Note		
	7.250%, 12/01/2026	BB	Ba
	PHARMACEUTICALS -- 2.4%		
1,655,000	Athena Neurosciences Finance LLC, Senior Note		
	7.250%, 2/21/2008	B	B
1,230,000	Biovail Corp., Senior Subordinated Note		
	7.875%, 4/01/2010	BB	B
1,280,000	Elan Finance PLC/Elan Finance Corp., Guaranteed Senior Note, (FRN)		
	9.170%, 11/15/2011	B	B

See accompanying notes to financial statements.

PRINCIPAL AMOUNT	DESCRIPTION	S&P RATINGS	MOODY'S RATINGS	FI RAT
CORPORATE DEBT -- CONTINUED				
	RESTAURANTS -- 0.8%			
\$1,370,000	NPC International, Inc., Senior Subordinated Note, 144A			
	9.500%, 5/01/2014	B	Caa	
	RETAILERS -- 6.5%			
2,255,000	Amscan Holdings, Inc., Senior Subordinated Note			
	8.750%, 5/01/2014	CCC	Caa	
1,050,000	Autonation, Inc., Guaranteed Senior Note, 144A			
	7.000%, 4/15/2014	BB	Ba	
260,000	Autonation, Inc., Guaranteed Senior Note, 144A, (FRN)			
	7.045%, 4/15/2013	BB	Ba	
1,130,000	Dollarama Group, LP, Senior Subordinated Note, 144A			

Edgar Filing: LEHMAN BROTHERS FIRST TRUST INCOME OPPORTUNITY FUND - Form N-CSRS

	8.875%, 8/15/2012		B	B
660,000	GSC Holdings Corp., Guaranteed Senior Note			
	8.000%, 10/01/2012		B	Ba
2,045,000	JC Penney Corp., Note			
	8.125%, 4/01/2027		BBB	Baa
180,000	Jean Coutu Group, Inc., Senior Note			
	7.625%, 8/01/2012		B	B
2,265,000	Jean Coutu Group, Inc., Senior Subordinated Note			
	8.500%, 8/01/2014		B	Caa
2,205,000	Movie Gallery, Inc., Senior Note			
	11.000%, 5/01/2012		CCC	Caa
295,000	Stripes Acquisition LLC/Susser Finance Corp., Senior Note, 144A			
	10.625%, 12/15/2013		B	B
	TELEPHONE SYSTEMS -- 10.6%			
640,000	American Cellular Corp., Series B, Senior Note			
	10.000%, 8/01/2011		B	B
895,560	Calpoint Receivables Structured Trust 2001, Note, 144A			
	7.440%, 12/10/2006		NR	B
2,635,000	Centennial Cellular Operating Co./Centennial Communications Corp., Guaranteed Senior Note			
	10.125%, 6/15/2013		CCC	B
35,000	Dobson Cellular Systems, Senior Note			
	8.375%, 11/01/2011		B	B
2,740,000	Dobson Communications Corp., Senior Note			
	8.875%, 10/01/2013		CCC	Caa
2,540,000	Nordic Telephone Co. Holdings, Senior Note, 144A			
	8.875%, 5/01/2016		B	B

See accompanying notes to financial statements.

13

LEHMAN BROTHERS FIRST TRUST INCOME OPPORTUNITY FUND

SCHEDULE OF INVESTMENTS (CONTINUED)

PRINCIPAL AMOUNT	DESCRIPTION	S&P RATINGS	MOODY'S RATINGS	FITCH RATINGS
CORPORATE DEBT -- CONTINUED				
TELEPHONE SYSTEMS -- CONTINUED				
\$3,280,000	Qwest Corp., Note			
	8.875%, 3/15/2012	BB	Ba	BB
665,000	Rogers Wireless Communications, Inc., Senior Secured Note			
	7.500%, 3/15/2015	BB	Ba	BB
2,715,000	Windstream Corp., Senior Note, 144A			
	8.125%, 8/01/2013 (d)	BB	Ba	BB
1,910,000	Windstream Corp., Senior Note, 144A			
	8.625%, 8/01/2016 (d)	BB	Ba	BB
	TRANSPORTATION -- 3.7%			

Edgar Filing: LEHMAN BROTHERS FIRST TRUST INCOME OPPORTUNITY FUND - Form N-CSRS

2,640,000	Grupo Transportacion Ferroviaria Mexicana SA de CV, Senior Note 9.375%, 5/01/2012	B	B	B
175,000	Stena AB, Note 9.625%, 12/01/2012	BB	Ba	NR
2,055,000	Stena AB, Senior Note 7.000%, 12/01/2016	BB	Ba	NR
1,675,000	Stena AB, Senior Note 7.500%, 11/01/2013	BB	Ba	NR

TOTAL CORPORATE DEBT (IDENTIFIED COST \$255,093,354)

TOTAL INVESTMENTS -- 147.1%

(IDENTIFIED COST \$256,393,482) (b)

Other Assets, Less Liabilities -- 4.6%

Money Market Cumulative Preferred Shares plus cumulative unpaid dividends (51.7%)

TOTAL NET ASSETS APPLICABLE TO COMMON SHAREHOLDERS -- 100%

See accompanying notes to financial statements.

LEHMAN BROTHERS FIRST TRUST INCOME OPPORTUNITY FUND

NOTES TO SCHEDULE OF INVESTMENTS

a See Note 2a of Notes to Financial Statements.

b Federal Tax Information:

At June 30, 2006, the net unrealized appreciation on investments based on cost of \$256,971,449 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	\$ 4,100,305
--	--------------

Aggregate gross unrealized depreciation for all investments in which there is an excess of tax cost over value	(4,825,216)
--	-------------

Net unrealized depreciation	\$ (724,911)
-----------------------------	--------------

c Denotes a step-up bond: a zero coupon bond that converts to a fixed rate of interest at a designated future date.

d All or a portion of this security was purchased on a when-issued basis. At June 30, 2006, these securities amounted to \$6,993,775.

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 June 30, 2006.

144 A Restricted security subject to restrictions on resale under federal securities laws. These securities may be resold in transactions exempt from registration, normally to qualified institutional buyers under Rule 144A, and have been deemed by the adviser to be liquid. At the period end, the value of 144A securities amounted to \$70,106,947 or 40.2% of net assets applicable to common shareholders.

Quality Profile

# Edgar Filing: LEHMAN BROTHERS FIRST TRUST INCOME OPPORTUNITY FUND - Form N-CSRS

The quality ratings of securities in the Fund as of June 30, 2006 were as follows:

S&P RATING/MOODY'S RATING/FITCH RATING	PERCENT OF TOTAL INVESTMENTS AND CASH**
BBB/Baa/BBB	3.4%
BB/Ba/BB	45.9
B/B/B	40.3
CCC/Caa/CCC	7.9
Cash	2.5
	100.0%

\*\* Percentages compiled using the highest rating for each security.

See accompanying notes to financial statements.

15

## LEHMAN BROTHERS FIRST TRUST INCOME OPPORTUNITY FUND

### STATEMENT OF ASSETS & LIABILITIES

JUNE 30, 2006  
(UNAUDITED)

#### ASSETS

Investments at cost	\$256,393,482
Net unrealized (depreciation)	(146,944)
INVESTMENTS AT VALUE	256,246,538
Cash	6,534,744
Receivable for securities sold	4,314,397
Interest receivable	5,017,670
Interest rate swap contracts, at market value	1,167,699
Prepaid expenses	9,195
TOTAL ASSETS	273,290,243

#### LIABILITIES

Payable for securities purchased	7,436,639
Distributions payable to common shareholders	8,991
Management fees payable	130,824
Payable for collateral on interest rate swap contracts	1,226,000
Other accrued expenses	225,005
TOTAL LIABILITIES	9,027,459

MONEY MARKET CUMULATIVE PREFERRED SHARES (3,600 SHARES ISSUED AND OUTSTANDING) AT LIQUIDATION VALUE PLUS CUMULATIVE UNPAID DISTRIBUTIONS	90,026,401
NET ASSETS APPLICABLE TO COMMON SHARES	\$174,236,383

#### NET ASSETS CONSIST OF:

Common Shares, no par value; unlimited number of shares authorized, 12,248,410 shares issued and outstanding	\$173,836,893
Distributions in excess of net investment income	(173,073)
Accumulated net realized loss on investments	(448,192)
Net unrealized appreciation of investments and interest rate swap contracts	1,020,755
NET ASSETS APPLICABLE TO COMMON SHARES	\$174,236,383

Edgar Filing: LEHMAN BROTHERS FIRST TRUST INCOME OPPORTUNITY FUND - Form N-CSRS

COMPUTATION OF NET ASSET VALUE PER COMMON SHARE:

NET ASSETS	\$174,236,383
COMMON SHARES ISSUED AND OUTSTANDING	12,248,410
NET ASSET VALUE PER SHARE	\$ 14.23
MARKET VALUE (CLOSING PRICE PER SHARE ON THE NEW YORK STOCK EXCHANGE)	\$ 13.58

See accompanying notes to financial statements.

LEHMAN BROTHERS FIRST TRUST INCOME OPPORTUNITY FUND

STATEMENT OF OPERATIONS

SIX MONTHS ENDED JUNE 30, 2006 (UNAUDITED)

INVESTMENT INCOME

Interest	\$11,387,912
Expenses	
Management fee	797,304
Investor service fee	66,442
Trustees' fees and expenses	35,173
Custodian fee	157,156
Audit and tax services	25,638
Legal fee	95,179
Shareholder reports	33,012
Preferred shares auction	114,942
Insurance expense	41,033
Miscellaneous	19,395
TOTAL EXPENSES	1,385,274
NET INVESTMENT INCOME	10,002,638

REALIZED AND UNREALIZED GAIN (LOSS) ON INVESTMENTS

Realized gain on:	
Investments -- net	43,244
Interest rate swap contracts -- net	578,982
Change in unrealized appreciation (depreciation) of:	
Investments -- net	(3,649,168)
Interest rate swap contracts -- net	(234,943)
Net realized and unrealized loss on investments and interest rate swap contracts	(3,261,885)
NET INCREASE IN NET ASSETS RESULTING FROM OPERATIONS	6,740,753

LESS DISTRIBUTIONS TO PREFERRED SHAREHOLDERS FROM NET INVESTMENT INCOME (2,091,952)

NET INCREASE IN NET ASSETS APPLICABLE TO COMMON SHARES RESULTING FROM OPERATIONS \$ 4,648,801

See accompanying notes to financial statements.

LEHMAN BROTHERS FIRST TRUST INCOME OPPORTUNITY FUND

STATEMENTS OF CHANGES IN NET ASSETS

Edgar Filing: LEHMAN BROTHERS FIRST TRUST INCOME OPPORTUNITY FUND - Form N-CSRS

	SIX MONTHS ENDED JUNE 30, 2006 (UNAUDITED)	YEAR ENDED DECEMBER 31, 2005
FROM OPERATIONS:		
Net investment income	\$ 10,002,638	\$ 20,000,000
Net realized gain (loss) on investments and interest rate swap contracts	622,226	(1,000,000)
Net change in unrealized (depreciation) of investments and interest rate swap contracts	(3,884,111)	(11,000,000)
Distributions to preferred shareholders from net investment income	(2,091,952)	(2,000,000)
NET INCREASE IN NET ASSETS APPLICABLE TO COMMON SHARES RESULTING FROM OPERATIONS	4,648,801	6,000,000
LESS DISTRIBUTIONS TO COMMON SHAREHOLDERS:		
Net investment income	(8,083,759)	(19,000,000)
Net realized gain on investments	--	(1,000,000)
Return of capital	--	--
	(8,083,759)	(19,000,000)
INCREASE (DECREASE) IN NET ASSETS DERIVED FROM COMMON SHARE TRANSACTIONS:		
TOTAL NET INCREASE (DECREASE) IN NET ASSETS APPLICABLE TO COMMON SHARES	12,766	(13,000,000)
NET ASSETS APPLICABLE TO COMMON SHARES		
Beginning of period	177,658,575	190,000,000
End of period	\$174,236,383	\$177,000,000
DISTRIBUTIONS IN EXCESS OF NET INVESTMENT INCOME	\$ (173,073)	\$

See accompanying notes to financial statements.

LEHMAN BROTHERS FIRST TRUST INCOME OPPORTUNITY FUND

FINANCIAL HIGHLIGHTS

	SIX MONTHS ENDED JUNE 30, 2006 (UNAUDITED)	YEAR ENDED DECEMBER 31, 2005
NET ASSET VALUE, BEGINNING OF PERIOD (COMMON SHARES)	\$ 14.51	\$ 15.58
Net Investment Income (b)	0.82	1.71
Net Realized and Unrealized Gain (Loss) on Investments	(0.27)	(0.94)
Distributions to Preferred Shareholders from Net Investment Income	(0.17)	(0.24)
TOTAL FROM INVESTMENT OPERATIONS APPLICABLE TO COMMON SHAREHOLDERS	0.38	0.53
Less Distributions to Common Shareholders		
From Net Investment Income	(0.66)	(1.58)
From Net Realized Gains	--	(0.02)
From Return of Capital	--	(0.00) (g)

Edgar Filing: LEHMAN BROTHERS FIRST TRUST INCOME OPPORTUNITY FUND - Form N-CSRS

TOTAL DISTRIBUTIONS TO COMMON SHAREHOLDERS	(0.66)	(1.60)
Common Shares Offering Costs Charged to Paid-in Capital	--	--
Preferred Shares Underwriting Commissions and Offering Costs Charged to Paid in Capital	--	--
NET ASSET VALUE, END OF PERIOD (COMMON SHARES)	\$ 14.23	\$ 14.51
-----		
MARKET VALUE - END OF PERIOD (COMMON SHARES)	\$ 13.58	\$ 15.61
-----		
Total Return on Net Asset Value (Common Shares) (%)	2.77	3.63
Total Return on Market Value (Common Shares) (%)	(8.84)	5.40
Ratio of Expenses (excluding interest expense) to Average Net Assets Applicable to Common Shares (%) (f)	1.57(e)	1.53
Ratio of Interest Expense to Average Net Assets Applicable to Common Shares (%) (f)	--	--
Ratio of Net Investment Income to Average Net Assets Applicable to Common Shares (%) (f)	11.34(e)	11.44
Portfolio Turnover Rate (%)	56.48	96.18
Net Assets Applicable to Common Shares, End of Period (000)	\$174,236	\$177,659
MONEY MARKET CUMULATIVE PREFERRED SHARES		
Preferred Shares Outstanding, End of Period (000)	90,000	90,000
Asset Coverage Per Share	\$ 73,399	\$ 74,350
Involuntary Liquidation Preference Per Share	\$ 25,000	\$ 25,000
Approximate Market Value Per Share	\$ 25,000	\$ 25,000

\* Commencement of operations.

- (a) Net asset value at beginning of period reflects the deduction from the \$15.00 offering price of the sales load of \$0.675 per share paid by the shareholder.
- (b) Calculated using average shares outstanding during the period.
- (c) Total return on net asset value is calculated assuming a purchase at the offering price of \$15.00 less the sales load of \$0.675 paid by the shareholder on the first day and the ending net asset value per share and is not annualized.
- (d) Total return on market value is calculated assuming a purchase at the offering price of \$15.00 on the first day and a sale at the current market price on the last day of the period and is not annualized.
- (e) Annualized.
- (f) Expense and net investment income ratios include accumulated and unpaid distributions.
- (g) Rounds to less than \$0.01.

See accompanying notes to financial statements.

LEHMAN BROTHERS FIRST TRUST INCOME OPPORTUNITY FUND

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2006 (UNAUDITED)

NOTE 1 -- ORGANIZATION

Lehman Brothers First Trust Income Opportunity Fund (the "Fund") was organized as a statutory trust under the laws of the state of Delaware on April 8, 2003, and is registered under the Investment Company Act of 1940, as amended (the "1940 Act"), as a diversified, closed-end management investment company. Lehman Brothers Asset Management Inc. (the "Adviser") is investment adviser to the Fund. Lehman Brothers Asset Management LLC is the sub-adviser to the Fund. The Fund's common shares are listed on the New York Stock Exchange under the symbol LBC.

The Fund's investment objective is to seek high total return (income plus capital appreciation). The Fund pursues its investment objective by investing its assets primarily in high yield debt securities.

NOTE 2 -- SIGNIFICANT ACCOUNTING POLICIES

The preparation of financial statements in accordance with U.S. generally accepted accounting principles requires the Adviser to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of income and expenses during the reporting period. Actual results could differ from those estimates. The following is a summary of significant accounting policies consistently followed by the Fund in the preparation of its financial statements.

A) 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.

B) SECURITY TRANSACTIONS AND RELATED INVESTMENT INCOME: Security transactions are recorded on a trade date basis. Dividend income is recorded on the ex-dividend date. Interest income, including amortization of premium and accretion of discount on securities, is recorded on the accrual basis. Realized gains and losses on investments are recorded on the basis of identified cost.

C) FEDERAL INCOME TAXES: It is the policy of the Fund to continue to comply with the requirements of Subchapter M of the Internal Revenue Code applicable to regulated investment companies and distribute all of its net taxable income, including any net realized gains on investments, to its shareholders. Therefore, no federal income tax provision is required.

D) 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



Edgar Filing: LEHMAN BROTHERS FIRST TRUST INCOME OPPORTUNITY FUND - Form N-CSRS

below the price of the securities that the Fund is obligated to repurchase. There were no reverse repurchase agreements outstanding at June 30, 2006.

E) 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 June 30, 2006, the Fund had the following open swap agreements:

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).	\$538,348
\$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).	\$629,351

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 June 30, 2006, the Fund had \$1,226,000 payable for collateral on interest rate swap contracts under this arrangement.

NOTE 3 -- FEES AND TRANSACTIONS WITH RELATED PARTIES

The Fund pays all expenses incurred in connection with the operations of the Fund. These expenses, among others, include custodian and fund accounting and administrative fees, legal and audit fees, fees and expenses of the Trustees who are not "interested persons" within the meaning of the 1940 Act ("Independent Fund Trustee"), registration fees, and printing expenses.

The Fund pays the Adviser a monthly fee computed at an annual rate of 0.60% of the Fund's average daily "Managed Assets" (net assets, including assets attributable to any outstanding preferred shares, plus the aggregate principal amount of any borrowings). The Adviser is responsible for developing, implementing and supervising the Fund's investment program and providing certain administrative services to the Fund. The Adviser has retained Lehman Brothers

Asset Management LLC ("LBAM LLC") to serve as the sub-adviser of the Fund and to manage the Fund's investment portfolio. The Adviser compensates LBAM LLC for its services as sub-adviser. The Adviser pays LBAM LLC a monthly sub-advisory fee calculated at the following annual percentage rates of the Fund's average daily Managed Assets: 0.55% on the Fund's first \$25 million of Managed Assets, 0.45% on the next \$25 million of Managed Assets, 0.35% on the next \$50 million of Managed Assets, and 0.30% on Managed Assets that are in excess of \$100 million. The Adviser and LBAM LLC are wholly owned subsidiaries of Lehman Brothers Holdings Inc., a publicly traded corporation.

First Trust Portfolios L.P. ("First Trust") serves as the Fund's distribution and marketing agent, and investor servicing agent. As the Fund's distribution and marketing agent, First Trust provides certain distribution and marketing services for the Fund's common shares including preparing marketing materials and presentations, developing contacts with brokers whose clients may have an interest in acquiring Fund shares and replying to information requests from prospective investors. In consideration for these services, First Trust receives a fee paid by the Adviser.

First Trust, as the investor servicing agent, developed and maintains a website for the Fund, assists in the review of shareholder materials, assists in the dissemination of the Fund's net asset value and market price, provides ongoing shareholder and account maintenance services, replies to information requests from shareholders and aids in secondary market support. In consideration for these services, the Fund pays First Trust a monthly fee computed at the annual rate 0.05% of the Fund's average daily Managed Assets. For the six months ended June 30, 2006, the Fund paid First Trust, as the investor servicing agent, a fee equal to \$66,442.

21

LEHMAN BROTHERS FIRST TRUST INCOME OPPORTUNITY FUND

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

The Fund pays no compensation to its officers or to its Trustees who are also employees of the Adviser or its affiliates.

NOTE 4 -- INVESTMENT IN SECURITIES

For the six months ended June 30, 2006, purchases and sales of investments, other than short-term securities, aggregated \$150,929,032 and \$145,288,227, respectively.

NOTE 5 -- MONEY MARKET CUMULATIVE PREFERRED SHARES

The Fund is authorized to issue 3,750 Money Market Cumulative Preferred Shares ("MMP"), each without par value. On October 22, 2003, the Fund issued 3,600 MMP with proceeds of \$90,000,000 in a public offering. The underwriting commissions and offering costs of \$1,236,545 were incurred in connection with the offering and were charged directly to paid-in capital of the common shares. Distributions to preferred shareholders are cumulative at a rate which was established at the offering and is reset every twenty-eight days based on the results of an auction. The Fund pays service fees to certain broker-dealers at the end of each auction at an annual rate of 0.25% for a regular distribution period and at a rate agreed to by the Fund and the broker-dealers for a special distribution period. For the six months ended June 30, 2006, Lehman Government Securities, Inc., an affiliate of the Adviser, earned \$111,471 in commissions.

## Edgar Filing: LEHMAN BROTHERS FIRST TRUST INCOME OPPORTUNITY FUND - Form N-CSRS

The MMP are redeemable at the option of the Fund at a redemption price equal to \$25,000 per share, plus accumulated and unpaid distributions, on any distribution payment date. The MMP are also subject to mandatory redemption at a redemption price equal to \$25,000 per share, plus accumulated and unpaid distributions, if the Fund defaults on its asset maintenance requirements with respect to the MMP and fails to cure such a default within the time permitted. If the distributions on the MMP shall remain unpaid in an amount equal to two full years' distributions, the holders of the MMP, as a class, have the right to elect a majority of the Board of Trustees. In general, the holders of the MMP and the common shares have one vote for each dollar, and a proportionate fraction of a vote for each fraction of a dollar, of the net asset value per share, and vote together as a single class, except that the holders of the MMP, as a separate class, have the right to elect at least two members of the Board of Trustees and to vote under certain other circumstances specified in the Fund's Amended By-Laws. The MMP have a liquidation preference of \$25,000 per share, plus accumulated and unpaid distributions. The Fund is required to maintain certain asset coverage with respect to the MMP as defined in the Fund's Amended By-Laws and the 1940 Act.

### NOTE 6 -- DISTRIBUTIONS TO SHAREHOLDERS

The Fund intends to make monthly distributions of net investment income to common shareholders, after payments of any distributions on outstanding MMP. Distributions to common shareholders are recorded on the ex- date. Distributions to preferred shareholders are recorded daily and are payable at the end of each distribution period. Each distribution payment period for the MMP is generally twenty-eight days. For the six months ended June 30, 2006, the distribution rates for MMP ranged from 4.35% to 5.35%. The distribution rate for MMP on June 30, 2006 was 5.35%. In addition, at least annually, the Fund intends to distribute net capital gains, if any. The timing and characterization of certain income and capital gains distributions are determined in accordance with federal tax regulations which may differ from U.S. generally accepted accounting principles. Permanent differences between book and tax accounting relating to distributions are reclassified to paid-in capital.

### NOTE 7 -- SHARES OF BENEFICIAL INTEREST

The Fund's Declaration of Trust authorizes the Trustees to issue an unlimited number of common shares for the Fund, each without par value. Transactions in common shares were as follows:

	SIX MONTHS ENDED JUNE 30, 2006		YEAR ENDED DECEMBER 31, 2005	
	SHARES	AMOUNT	SHARES	AMOUNT
Shares issued pursuant to the Fund's dividend reinvestment plan	872	\$12,766	8,148	\$120,786
Increase derived from capital share transactions	872	\$12,766	8,148	\$120,786
	===	=====	=====	=====

### NOTE 8 -- CONCENTRATION OF CREDIT RISK

The Fund will normally invest at least 80% of its Managed Assets in investments offering high current income, which generally will be in the lower rating

categories of recognized rating agencies. These investments are regarded as predominantly speculative with respect to capacity to pay interest and repay principal in accordance with the terms of the obligations and will generally involve more credit risk than securities in the higher rating categories. In addition, the trading market for high yield investments may be relatively less liquid than the market for higher-rated investments.

NOTE 9 -- RISK ASSOCIATED WITH THE USE OF LEVERAGE

The Fund's use of leverage through the issuance of preferred shares and borrowings, as well as the economic leverage inherent in certain derivatives, including credit default swaps, creates risks for holders of common shares. There is no assurance that the Fund's leveraging strategies will be successful. If the Fund issues preferred shares or borrows money to make additional investments and the income and capital appreciation from those investments exceed the distributions payable on the preferred shares or the costs of borrowing, the Fund's investment return will be greater than if leverage had not been used. However, if the distributions payable on the preferred shares or the costs of borrowing exceed the income and capital appreciation from the additional investments, the Fund would lose money and its investment return will be lower than if leverage had not been used. Leverage creates risk which may adversely affect the return for holders of common shares, including:

- (a) the likelihood of greater volatility of net asset value and market price of the Fund's common shares;
- (b) the possibility either that common share income will fall if the preferred share distribution rate rises or the Fund's borrowing costs increase, or that common share income will fluctuate because of changes in the preferred share distribution rates or borrowing costs.

NOTE 10 -- INDEMNIFICATIONS

In the ordinary course of business, the Fund enters into contracts that contain a variety of indemnifications. The Fund's maximum exposure under these arrangements is unknown. However, the Fund has not had prior claims or losses pursuant to these contracts and expects the risk of loss to be remote.

NOTE 11 -- UNAUDITED FINANCIAL INFORMATION

The financial information included in this interim report is taken from the records of the Fund without audit by independent auditors. Annual reports contain audited financial statements.

OTHER INFORMATION

SHAREHOLDER VOTING RESULTS (UNAUDITED)

The annual meeting of the Trust's shareholders was held on April 19, 2006 at which shareholders considered and approved the following proposals regarding the election of the new Trustees to the Board. The incumbent Trustees did not stand for reelection. The voting results were the following:

With respect to the election of Faith Colish as a Trustee of the Fund:

11,404,789.085 shares of Common Shares and MMP Shares,

voting together as a single class or 98.461% of shares cast in the affirmative, with 178,265 shares or 1.539% of shares cast withheld;

With respect to the election of C. Anne Harvey as a Trustee of the Fund:

11,406,404.085 shares of Common Shares and MMP Shares, voting together as a single class or 98.475% of shares cast in the affirmative, with 176,650 shares or 1.525% of shares cast withheld;

With respect to the election of Cornelius T. Ryan as a Trustee of the Fund:

11,414,797.085 shares of Common Shares and MMP Shares, voting together as a single class or 98.547% of shares cast in the affirmative, with 168,257 shares or 1.453% of shares cast withheld;

With respect to the election of Peter E. Sundman as a Trustee of the Fund:

11,422,515.085 shares of Common Shares and MMP Shares, voting together as a single class or 98.614% of shares cast in the affirmative, with 160,539 shares or 1.386% of shares cast withheld;

With respect to the election of Peter P. Trapp as a Trustee of the Fund:

11,418,395.085 shares of Common Shares and MMP Shares, voting together as a single class or 98.578% of shares cast in the affirmative, with 164,659 shares or 1.422% of shares cast withheld;

With respect to the election of John Cannon as a Trustee of the Fund:

11,412,696.085 shares of Common Shares and MMP Shares, voting together as a single class or 98.529% of shares cast in the affirmative, with 170,358 shares or 1.471% of shares cast withheld;

With respect to the election of Jack L. Rivkin as a Trustee of the Fund:

11,416,478.085 shares of Common Shares and MMP Shares, voting together as a single class or 98.562% of shares cast in the affirmative, with 166,576 shares or 1.438% of shares cast withheld;

With respect to the election of Tom D. Seip as a Trustee of the Fund:

11,414,503.085 shares of Common Shares and MMP Shares, voting together as a single class or 98.545% of shares cast in the affirmative, with 168,551 shares or 1.455% of shares cast withheld;

With respect to the election of Robert A. Kavesh as a Trustee of the Fund:

11,412,613.085 shares of Common Shares and MMP Shares, voting together as a single class or 98.529% of shares cast in the affirmative, with 170,441 shares or 1.471% of shares cast withheld;

With respect to the election of Edward I. O'Brien as a Trustee of the Fund:

11,415,833.085 shares of Common Shares and MMP Shares, voting together as a single class or 98.556% of shares cast in the affirmative, with 167,221 shares or 1.444% of shares cast withheld;

With respect to the election of William E. Rulon as a Trustee of the Fund:

11,408,458.085 shares of Common Shares and MMP Shares, voting together as a single class or 98.493% of shares cast in the affirmative, with 174,596 shares or 1.507% of shares cast withheld;

With respect to the election of Candace L. Straight as a Trustee of the Fund:

11,417,523.085 shares of Common Shares and MMP Shares, voting together as a single class or 98.571% of shares cast in the affirmative, with 165,531 shares or 1.429% of shares cast withheld;

With respect to the election of Barry Hirsch\* as a Trustee of the Fund:

2,980 MMP shares or 100% of shares cast in the affirmative, with 0 shares or 0% of shares cast withheld; and

With respect to the election of Howard A. Mileaf as a Trustee of the Fund:

2,980 MMP shares or 100% of shares cast in the affirmative, with 0 shares or 0% of shares cast withheld.

\* Mr. Hirsch passed away after the annual shareholder meeting.

#### DIVIDEND REINVESTMENT PLAN (UNAUDITED)

The Fund has a Dividend Reinvestment Plan (the "Plan") commonly referred to as an "opt-out" plan. Each common shareholder will have all distributions of dividends and capital gains automatically reinvested in additional common shares by Investors Bank & Trust Company, as agent for shareholders pursuant to the Plan (the "Plan Agent"), unless the shareholder elects to receive cash or unless the shares are registered in the name of a broker-dealer or other nominee (that is, in "street name") and the respective nominee does not participate in the Plan. For Plan participants, the Plan Agent will either (i) effect purchases of

common shares under the Plan in the open market or (ii) distribute newly issued common shares of the Fund. Shareholders who elect not to participate in the Plan will receive all distributions in cash paid by check mailed directly to the shareholder of record (or if the shares are held in street or other nominee name, then to the nominee) by the Plan Agent, as dividend disbursing agent. Certain broker-dealers and nominees do not permit their clients to participate in dividend reinvestment plans. Shareholders whose common shares are held in the name of a broker or nominee should contact the broker or nominee to determine whether and how they may participate in the Plan.

The Plan Agent serves as agent for the shareholders in administering the Plan. After the Fund declares a dividend or makes a capital gain distribution, the Plan Agent will, as agent for the participants, either (i) receive the cash payment and use it to buy common shares in the open market, on the New York Stock Exchange or elsewhere, for the participants' accounts or (ii) distribute newly issued common shares of the Fund on behalf of the participants. The Plan Agent will receive cash from the Fund with which to buy common shares in the open market if, on the determination date, the net asset value per share exceeds the market price per share plus estimated brokerage commissions on that date. The Plan Agent will receive the dividend or distribution in newly issued common shares of the Fund if, on the determination date, the market price per share plus estimated brokerage commissions equals or exceeds the net asset value per share of the Fund on that date. The number of shares to be issued will be computed at a per share rate equal to the greater of (i) the net asset value or (ii) 95% of the closing market price per share on the payment date.

Participants in the Plan may withdraw from the Plan upon written notice to the Plan Agent. Such withdrawal will be effective immediately if received not less than ten days prior to a distribution record date; otherwise, it will be effective for all subsequent dividend record dates. When a participant withdraws from the Plan or upon termination of the Plan as provided below, certificates for whole common shares credited to his or her account under the Plan will be issued and a cash payment will be made for any fraction of a common share credited to such account. In the alternative, upon receipt of the participant's instructions, common shares will be sold and the proceeds sent to the participant less brokerage commissions and any applicable taxes.

The Plan Agent maintains each shareholder's account in the Plan and furnishes confirmations of all acquisitions made for the participant. Common shares in the account of each Plan participant will be held by the Plan Agent on behalf of the participant. Proxy material relating to shareholders' meetings of the Fund will include those shares purchased as well as shares held pursuant to the Plan.

In the case of shareholders, such as banks, brokers or nominees, which hold common shares for others who are the beneficial owners, the Plan Agent will administer the Plan on the basis of the number of common shares certified from time to time by the record shareholders as representing the total amount registered in the record shareholder's name and held for the account of beneficial owners who are participants in the Plan.

The Plan Agent's fees for the handling of reinvestment of dividends and other distributions will be paid by the Fund. Each participant will pay a pro rata share of brokerage commissions incurred with respect to the Plan Agent's open market purchases in connection with the reinvestment of distributions. There are no other charges to participants for reinvesting dividends or capital gain distributions; however, the Fund reserves the right to amend the Plan to include a service charge payable by the participants.

The automatic reinvestment of dividends and other distributions will not relieve participants of any income tax that may be payable or required to be withheld on such dividends or distributions.

Edgar Filing: LEHMAN BROTHERS FIRST TRUST INCOME OPPORTUNITY FUND - Form N-CSRS

The Fund and the Plan Agent reserve the right to amend or terminate the Plan. All correspondence concerning the Plan should be directed to: Investors Bank & Trust Company, 200 Clarendon Street, Mail Stop OPS22, Boston, MA 02116 (Telephone) 800-988-5196.

TRUSTEES AND OFFICERS TABLE (UNAUDITED)

Set forth below is information about the Trustees. The address for each Trustee is Lehman Brothers Asset Management Inc., 399 Park Avenue, New York, NY 10022.

CLASS I

INDEPENDENT FUND TRUSTEES:

NAME, AGE AND POSITION(1) WITH FUND	LENGTH OF TIME SERVED	PRINCIPAL OCCUPATION(S) (2)	NUMBER OF PORTFOLIOS IN FUND COMPLEX OVERSEEN BY FUND TRUSTEE (3)
Faith Colish (70) Trustee	Since 2006	Counsel, Carter Ledyard & Milburn LLP (law firm) since October 2002; formerly, Attorney-at-Law and President, Faith Colish, A Professional Corporation, 1980 to 2002.	50
C. Anne Harvey (69) Trustee	Since 2006	President, C.A. Harvey Associates since October 2001; formerly, Director, AARP, 1978 to December 2001.	50
Cornelius T. Ryan (74) Trustee	Since 2006	Founding General Partner, Oxford Partners and Oxford Bioscience Partners (venture capital investing) and President, Oxford Venture Corporation since 1981.	50
Peter P. Trapp (61) Trustee	Since 2006	Regional Manager for Mid-Southern Region, Ford Motor Credit Company since September 1997; formerly, President, Ford Life Insurance Company, April 1995 to August 1997.	50



Edgar Filing: LEHMAN BROTHERS FIRST TRUST INCOME OPPORTUNITY FUND - Form N-CSRS

TRUSTEES AND OFFICERS TABLE (UNAUDITED) (CONTINUED)

FUND TRUSTEE WHO IS AN "INTERESTED PERSON"

NAME, AGE AND POSITION(1) WITH FUND	LENGTH OF TIME SERVED	PRINCIPAL OCCUPATION(S) (2)	NUMBER OF PORTFOLIOS IN FUND COMPLEX OVERSEEN BY FUND TRUSTEE (3)
Peter E. Sundman* (47) Chief Executive Officer, Trustee and Chairman of the Board	Since 2006	Executive Vice President, Neuberger Berman Inc. (holding company) since 1999; Head of Neuberger Berman Inc.'s Mutual Funds Business (since 1999) and Institutional Business (1999 to October 2005); responsible for Managed Accounts Business and intermediary distribution since October 1999; President and Director, NB Management since 1999; Managing Director, Neuberger Berman since 2005; formerly, Executive Vice President, Neuberger Berman, 1999 to December 2005; formerly, Principal, Neuberger Berman, 1997 to 1999; formerly, Senior Vice President, NB Management, 1996 to 1999.	50

CLASS II\*

INDEPENDENT FUND TRUSTEES:

John Cannon (76) Trustee	Since 2006	Consultant; formerly, Chairman, CDC Investment Advisers (registered investment adviser), 1993 to January 1999; formerly, President and Chief Executive Officer, AMA Investment Advisers, an affiliate of the American Medical Association.	50
-----------------------------	------------	---	----

\* Barry Hirsch was elected as a Class II Trustee at the annual shareholder meeting held on April 19, 2006. Mr. Hirsch passed away in July 2006.

NUMBER OF PORTFOLIOS IN FUND

Edgar Filing: LEHMAN BROTHERS FIRST TRUST INCOME OPPORTUNITY FUND - Form N-CSRS

NAME, AGE AND POSITION(1) WITH FUND	LENGTH OF TIME SERVED	PRINCIPAL OCCUPATION(S) (2)	COMPLEX OVERSEEN BY FUND TRUSTEE (3)
Tom D. Seip (56) Lead Independent Trustee	Since 2006	General Partner, Seip Investments LP (a private investment partnership); formerly, President and CEO, Weststaff, Inc. (temporary staffing), May 2001 to January 2002; formerly, Senior Executive at the Charles Schwab Corporation, 1983 to 1999, including Chief Executive Officer, Charles Schwab Investment Management, Inc. and Trustee, Schwab Family of Funds and Schwab Investments, 1997 to 1998, and Executive Vice President-Retail Brokerage, Charles Schwab Investment Management, 1994 to 1997.	50

FUND TRUSTEE WHO IS AN "INTERESTED PERSON"

Jack L. Rivkin* (66) President and Trustee	Since 2006	Executive Vice President and Chief Investment Officer, Neuberger Berman Inc. (holding company) since 2002 and 2003, respectively; Managing Director and Chief Investment Officer, Neuberger Berman since December 2005 and 2003, respectively; formerly, Executive Vice President, Neuberger Berman, December 2002 to 2005; Director and Chairman, NB Management since December 2002; formerly, Executive Vice President, Citigroup Investments, Inc., September 1995 to February 2002; formerly, Executive Vice President, Citigroup Inc., September 1995 to February 2002.	50
---	------------	--	----

TRUSTEES AND OFFICERS TABLE (UNAUDITED) (CONTINUED)

CLASS III

INDEPENDENT FUND TRUSTEES:

Edgar Filing: LEHMAN BROTHERS FIRST TRUST INCOME OPPORTUNITY FUND - Form N-CSRS

NAME, AGE AND POSITION(1) WITH FUND	LENGTH OF TIME SERVED	PRINCIPAL OCCUPATION(S) (2)	PORTFOLIO IN FUND COMPLEX OVERSEEN BY FUND TRUSTEE (3)
Robert A. Kavesh (78) Trustee	Since 2006	Marcus Nadler Professor Emeritus of Finance and Economics, New York University Stern School of Business; formerly, Executive Secretary-Treasurer, American Finance Association, 1961 to 1979.	50
Howard A. Mileaf (69) Trustee	Since 2006	Retired; formerly, Vice President and General Counsel, WHX Corporation (holding company), 1993 to 2001.	50
Edward I. O'Brien (77) Trustee	Since 2006	Formerly, Member, Investment Policy Committee, Edward Jones, 1993 to 2001; President, Securities Industry Association ("SIA") (securities industry's representative in government relations and regulatory matters at the federal and state levels), 1974 to 1992; Adviser to SIA, November 1992 to November 1993.	50
William E. Rulon (73) Trustee	Since 2006	Retired; formerly, Senior Vice President, Foodmaker, Inc. (operator and franchiser of restaurants) until January 1997.	50

NAME, AGE AND	LENGTH OF TIME	NUMBER O PORTFOLIO IN FUND COMPLEX OVERSEEN BY FUND
---------------	-------------------	--

Edgar Filing: LEHMAN BROTHERS FIRST TRUST INCOME OPPORTUNITY FUND - Form N-CSRS

POSITION(1) WITH FUND	SERVED	PRINCIPAL OCCUPATION(S) (2)	TRUSTEE (3)
Candace L. Straight (58) Trustee	Since 2006	Private investor and consultant specializing in the insurance industry; formerly, Advisory Director, Securitas Capital LLC (a global private equity investment firm dedicated to making investments in the insurance sector), 1998 to December 2003.	50

- (1) The Board of Trustees shall at times be divided as equally as possible into three classes of Trustees designated Class I, Class II, and Class III. The terms of office of Class I, Class II, and Class III Trustees shall expire at the annual meeting of shareholders held in 2009, 2007, and 2008, respectively, and at each third annual meeting of stockholders thereafter.
  - (2) Except as otherwise indicated, each individual has held the positions shown for at least the last five years.
  - (3) For funds organized in a master-feeder structure, we count the master fund and its associated feeder funds as a single portfolio.
- \* Indicates a Fund Trustee who is an "interested person" within the meaning of the 1940 Act. Mr. Sundman and Mr. Rivkin are interested persons of the Trust by virtue of the fact that they are officers and/or directors of Neuberger Berman Management Inc. ("NB Management") and Neuberger Berman, LLC ("Neuberger Berman").

31

TRUSTEES AND OFFICERS TABLE (UNAUDITED) (CONTINUED)

Set forth below is information about the officers of the Fund. The address for each officer is Lehman Brothers Asset Management Inc., 399 Park Avenue, New York, NY 10022.

NAME AND AGE	POSITION AND LENGTH OF TIME SERVED(1)	PRINCIPAL OCCUPATION(S) (2)
Andrew B. Allard (45)	Anti-Money Laundering Compliance Officer since 2006	Senior Vice President, Neuberger Berman since 2006; Deputy General Counsel, Neuberger Berman since 2004 formerly, Vice President, Neuberger Berman, 2000 to 2006; formerly, Associate General Counsel, Neuberger Berman, 1999 to 2004; formerly, Associate General

Edgar Filing: LEHMAN BROTHERS FIRST TRUST INCOME OPPORTUNITY FUND - Form N-CSRS

		Counsel, NB Management, 1994 to 1999; Anti-Money Laundering Compliance Officer, fifteen registered investment companies for which NB Management acts as investment manager and administrator (seven since 2003, three since 2003, four since 2004 and one since 2005) and one registered investment company for which Lehman Brothers Asset Management Inc. acts as investment adviser (since 2006).
Michael J. Bradler (36)	Assistant Treasurer since 2006	Vice President, Neuberger Berman since 2006; Employee NB Management since 1997; Assistant Treasurer, fifteen registered investment companies for which NB Management acts as investment manager and administrator (fifteen since 2005) and one registered investment company for which Lehman Brothers Asset Management Inc. acts as investment adviser (since 2006).
Claudia A. Brandon (49)	Secretary since 2006	Vice President-Mutual Fund Board Relations, NB Management since 2000 and Assistant Secretary since 2004; Vice President, Neuberger Berman since 2002 and Employee since 1999; formerly, Vice President, NB Management, 1986 to 1999; Secretary, fifteen registered investment companies for which NB Management acts as investment manager and administrator (three since 2002, four since 2002, three since 2003, four since 2004 and one since 2005) and one registered investment company for which Lehman Brothers Asset Management Inc. acts as investment adviser (since 2006).
Robert Conti (50)	Vice President since 2006	Senior Vice President, Neuberger Berman since 2003; formerly, Vice President, Neuberger Berman, 1999 to 2003; Senior Vice President, NB Management since 2003; formerly, Controller, NB Management, 1994 to 1996; formerly, Treasurer, NB Management, 1996 to 1999; Vice President, fifteen registered investment companies for which NB Management acts as investment manager and administrator (three since 2000, four since 2002, three since 2003, four since 2004 and one since 2005) and one registered investment company for which Lehman Brothers Asset Management Inc. acts as investment adviser (since 2006).
Brian J. Gaffney (53)	Vice President since 2006	Managing Director, Neuberger Berman since 1999; Senior Vice President, NB Management since 2000; formerly, Vice President, NB Management, 1997 to 1999; Vice President, fifteen registered investment companies for which NB Management acts as investment manager and administrator (three since 2000, four since 2002, three since 2003, four since 2004 and one since 2005) and one registered investment company for which Lehman Brothers Asset Management Inc. acts as investment adviser (since 2006).
Maxine L. Gerson (55)	Chief Legal Officer since 2006 (only for purposes of sections 307 and 406 of the Sarbanes-Oxley Act of 2002)	Senior Vice President, Neuberger Berman since 2002; Deputy General Counsel and Assistant Secretary, Neuberger Berman since 2001; formerly, Vice President, Neuberger Berman, 2001 to 2002; formerly, Associate General Counsel, Neuberger Berman, 2001; formerly, Counsel, Neuberger Berman, 2000; Secretary and General Counsel, NB Management since 2004; Chief Legal Officer, fifteen registered investment companies for which NB Management acts as investment manager and administrator (fifteen since 2005) and one registered investment

Edgar Filing: LEHMAN BROTHERS FIRST TRUST INCOME OPPORTUNITY FUND - Form N-CSRS

company for which Lehman Brothers Asset Management, acts as investment adviser (since 2006).

NAME AND AGE	POSITION AND LENGTH OF TIME SERVED(1)	PRINCIPAL OCCUPATION(S) (2)
Sheila R. James (41)	Assistant Secretary since 2006	Employee, Neuberger Berman since 1999; formerly, Employee, NB Management, 1991 to 1999; Assistant Secretary, fifteen registered investment companies which NB Management acts as investment manager and administrator (seven since 2002, three since 2003, since 2004 and one since 2005) and one registered investment company for which Lehman Brothers Asset Management Inc. acts as investment adviser (since 2006).
Kevin Lyons (51)	Assistant Secretary since 2006	Employee, Neuberger Berman since 1999; formerly, Employee, NB Management, 1993 to 1999; Assistant Secretary, fifteen registered investment companies which NB Management acts as investment manager and administrator (ten since 2003, four since 2004 and since 2005) and one registered investment company for which Lehman Brothers Asset Management Inc. acts as investment adviser (since 2006).
John M. McGovern (36)	Treasurer since 2006	Vice President, Neuberger Berman since 2004; Employee, NB Management since 1993; Treasurer and Principal Financial and Accounting Officer, fifteen registered investment companies for which NB Management acts as investment manager and administrator (fifteen since 2005) and one registered investment company for which Lehman Brothers Asset Management Inc. acts as investment adviser (since 2006); formerly, Assistant Treasurer, fifteen registered investment companies for which NB Management acts as investment manager and administrator 2002 to 2005.
Frank Rosato (35)	Assistant Treasurer since 2006	Vice President, Neuberger Berman since 2006; Employee, NB Management since 1995; Assistant Treasurer, fifteen registered investment companies for which NB Management acts as investment manager and administrator (fifteen since 2005) and one registered investment company for which Lehman Brothers Asset Management Inc. acts as investment adviser (since 2006).
Frederic B. Soule (60)	Vice President since 2006	Senior Vice President, Neuberger Berman since 2003; formerly, Vice President, Neuberger Berman, 1999 to 2003; formerly, Vice President, NB Management, 1995 to 1999; Vice President, fifteen registered investment companies for which NB Management acts as investment manager and administrator (three since 2000, four since 2002, three since 2003, four since 2004 and one since 2005) and one registered investment company for which Lehman Brothers Asset Management Inc. acts as investment adviser (since 2006).

## Edgar Filing: LEHMAN BROTHERS FIRST TRUST INCOME OPPORTUNITY FUND - Form N-CSRS

Chamaine Williams (35)	Chief Compliance Officer since 2005	Vice President, Lehman Brothers Inc. since 2003; Chief Compliance Officer, fifteen registered investment companies for which NB Management acts as investment manager and administrator (fifteen since 2005) and registered investment company for which Lehman Brothers Asset Management Inc. acts as investment adviser (since 2005); Chief Compliance Officer, Lehman Brothers Asset Management Inc. since 2003; Chief Compliance Officer, Lehman Brothers Alternative Investment Management L.P. since 2003; formerly, Vice President, UBS Global Asset Management (US) Inc. (formerly, Mitchell Hutchins Asset Management, a wholly-owned subsidiary of PaineWebber Inc.), 1997-2003.
------------------------	-------------------------------------	--

- (1) Pursuant to the By-Laws of the Trust, each officer elected by the Fund Trustees shall hold office until his or her successor shall have been elected and qualified or until his or her earlier death, inability to serve, or resignation. Officers serve at the pleasure of the Fund Trustees and may be removed at any time with or without cause.
- (2) Except as otherwise indicated, each individual has held the positions shown for at least the last five years.

33

### TRUSTEES AND OFFICERS TABLE (UNAUDITED) (CONTINUED)

The Fund's Statement of Additional Information includes additional information about the Trustees of the Fund as of 2003, and is available without charge, upon request, by calling 1-800-988-5196, or visiting the Fund's website at [www.lbftincomeopportunity.com](http://www.lbftincomeopportunity.com).

A description of the Fund's proxy voting policies and procedures is available (1) without charge, upon request, by calling 1-800-988-5196, (2) on the Fund's website at [www.lbftincomeopportunity.com](http://www.lbftincomeopportunity.com) and (3) on the Commission's website at [www.sec.gov](http://www.sec.gov).

Information regarding how the Fund voted proxies relating to portfolio securities during the 12-month period ended June 30, 2006 is available (1) on the Fund's website [www.lbftincomeopportunity.com](http://www.lbftincomeopportunity.com) and (2) on the Commission's website at [www.sec.gov](http://www.sec.gov).

In accordance with Section 303A.12 (a) of the New York Stock Exchange Listed Company Manual, the Fund's Annual CEO Certification certifying as to compliance with NYSE's Corporate Governance Listing Standards was submitted to the Exchange on May 26, 2006.

The Fund files a complete schedule of portfolio holdings with the Securities and Exchange Commission for the first and third quarters of each fiscal year on Form N-Q. The Fund's Forms N-Q are available on the Securities and Exchange Commission's website at [www.sec.gov](http://www.sec.gov) and may be reviewed and copied at the Securities and Exchange Commission's Public Reference Room in Washington, DC. Information on the operation of the Public Reference Room may be obtained by calling 1-800-SEC-0330. The information on Form N-Q is available upon request, without charge, by calling 1-800-877-9700 (toll free).

APPROVAL OF INVESTMENT ADVISORY AGREEMENTS

At a Meeting held on February 16, 2006, called pursuant to section 15(c) of the Investment Company Act of 1940, as amended (the "1940 Act"), the Board of Trustees of the Fund considered the approval of the renewal of the Fund's Advisory Agreement with Lehman Brothers Asset Management Inc. (the "Adviser") and the Sub-Advisory Agreement with Lehman Brothers Asset Management LLC (the "Sub-Adviser").

At the Meeting, the Board received substantial information regarding the proposed continuation of the Advisory and Sub-Advisory Agreements, following which the Board determined that it would be in the best interests of the Fund to continue the Advisory and Sub-Advisory Agreements. In reaching this overall determination, the Board reviewed, among other things: (i) the nature, extent and quality of advisory service, including the performance of the Fund; (ii) the appropriateness of the fee structure and rate of compensation paid to the Adviser relative to the cost of services provided and profits realized by the Adviser from the relationship with the Fund; (iii) the potential for economies of scale and whether the fee structure reflects potential for such economies of scale; (iv) fee/service comparisons, including other funds and other clients of the Adviser; and (v) the existence of any ancillary benefits realized by the Adviser.

In connection with its review of the nature and quality of the services provided by the Adviser and Sub-Adviser, the Board considered the performance achieved for the Fund by the Adviser and Sub-Adviser relative to its designated benchmark. In connection with the Fund's performance, the Board reviewed statistical information regarding the performance of the Fund during the fiscal year ended December 31, 2005, and the following periods: the month ended January 31, 2006, the quarter ended December 31, 2005, August 1, 2003 through December 31, 2005 and from inception through December 31, 2005. The Board also considered a comparison prepared by Lipper Analytical of the Fund's performance relative to comparable funds registered under the 1940 Act and managed by other investment advisors ("Peer Group"), together with a detailed description of the methodology used by Lipper to prepare this information. Based on this information, the Board concluded that the services provided by the Adviser and Sub-Adviser under the Advisory and Sub-Advisory Agreements are satisfactory and the Fund's performance continues to support the Board's original selection of the Adviser and Sub-Adviser.

The Board was also informed as to the performance of the Fund and institutional clients of the Sub-Adviser (collectively, "comparable accounts") as presented by the Adviser and Sub-Adviser. The Board did not specifically rely upon such comparisons, particularly in light of the different regulatory and investment environments to which registered vehicles are subject, but rather focused on an overall evaluation of the investment methodologies and strategies employed by the Adviser and Sub-Adviser and Fund performance relative to its designated benchmark. The Board also considered information to the effect that expense levels of the Fund compared favorably to the expense levels of other funds in the Peer Group. Based on this information, the Board concluded that the advisory fee for the Fund for the most recent fiscal year was below the median for its Peer Group and that the Fund's actual total expenses were also lower than the median for the Fund's Peer Group, based on the statistical information regarding the expense ratio components, contractual advisory and sub-advisory fees, and actual and total expenses of the Fund in comparison with the same information for other funds that Lipper determined are in the Fund's Peer Group.

In addition, the Board considered the Adviser's and Sub-Adviser's investment philosophy and experience, investment processes and strategies and the background and experience of the persons responsible for the day-to-day management of the Fund, including brokerage allocation policies. The Board considered the non-advisory services provided by the Adviser, including the



Adviser's provision of officers for the Fund, coordination of service providers and compliance-related activities.

The Board also considered the costs incurred by the Adviser in connection with the provision of services to the Fund (including, for this purpose, the fee paid by the Adviser to the Sub-Adviser), as well as the costs incurred by the Sub-Adviser. The Board concluded that, based on the profit levels reported by the Adviser and Sub-Adviser, and the information included in the 15(c) Materials, the fee schedules included in the Advisory and Sub-Advisory Agreements are fair and reasonable and have not resulted in a profit that is excessive or beyond the range that would have been negotiated at arm's length in light of the specific facts and circumstances of the Fund. The Board reviewed information about the profitability of the Fund to the Adviser and Sub-Adviser, based on the fees payable

35

APPROVAL OF INVESTMENT ADVISORY AGREEMENTS (CONTINUED)

under the Advisory and Sub-Advisory Agreements; information regarding direct revenue received by the Adviser and Sub-Adviser and/or their affiliates in connection with the services provided to the Fund by the Adviser and Sub-Adviser and/or their affiliates; and the Adviser's and Sub-Adviser's profit margins as reflected in the profitability analysis. The Board also received and considered information regarding the Fund's investment advisory fee rate under the Advisory Agreement in comparison to the investment management fee rates for other funds/accounts with substantially similar investment objectives and strategies for which the Adviser, the Sub-Adviser or their affiliates provide investment management services. The Board analyzed the level of the investment advisory/management fees in relation to the nature and extent of services provided to the Fund in comparison with the nature and extent of services provided to the Adviser's and Sub-Adviser's other clients and accounts, including, among other factors, the level of complexity in managing the Fund and other accounts under differing regulatory requirements and various client guidelines or requirements, the nature and extent of the shareholder support services provided to the Fund and its shareholders in comparison with the nature and extent of the services provided to other accounts and their clients, and in relation to the Fund's and other accounts' fee structures and asset levels.

In connection with its review of the Fund's advisory fee structure, the Board considered the extent to which the Adviser or Sub-Adviser derive any ancillary or "fall-out" benefits as a result of their relationship with the Fund or whether there is any potential for the realization of economies of scale that may be appropriately reflected in fee schedules. With regard to these factors, the Board concluded that, because the Fund is a closed-end vehicle, the potential for growth in assets is limited. Similarly, the Board concluded that the "fall-out" benefits to the Adviser and Sub-Adviser, if any, are generally limited in light of the small size of the Fund relative to the other assets managed by the Adviser and Sub-Adviser.

On the basis of these considerations and in recognition of the fiduciary duty deemed owed by the Adviser and Sub-Adviser to the Fund with respect to the receipt of compensation for services or of payments of a material nature paid to the Adviser or Sub-Adviser, the Board, including a majority of the Trustees of the Fund who are not "interested persons" within the meaning of the 1940 Act, concluded that the Advisory and Sub-Advisory Agreements continued to be in the best interests of the Fund and approved the Advisory and Sub-Advisory Agreements for continuance for the period ending February 28, 2007, unless terminated or amended prior to that date according to its terms. Subsequent to this Board

## Edgar Filing: LEHMAN BROTHERS FIRST TRUST INCOME OPPORTUNITY FUND - Form N-CSRS

Meeting, the current Trustees were elected at the annual meeting of shareholders; they are described in the section of this report entitled "Trustees and Officers Table."

### LEHMAN BROTHERS

(C)2006 Lehman Brothers Inc. All Rights Reserved. LB10183

#### ITEM 2. CODE OF ETHICS.

Not applicable to this filing.

#### ITEM 3. AUDIT COMMITTEE FINANCIAL EXPERT.

Not applicable to this filing.

#### ITEM 4. PRINCIPAL ACCOUNTANT FEES AND SERVICES.

Not applicable to this filing.

#### ITEM 5. AUDIT COMMITTEE OF LISTED REGISTRANTS.

Not applicable to this filing.

#### ITEM 6. SCHEDULE OF INVESTMENTS

The complete schedule of investments is disclosed in the semi-annual report, which is included as item 1.

#### ITEM 7. DISCLOSURE OF PROXY VOTING POLICIES AND PROCEDURES FOR CLOSED-END MANAGEMENT INVESTMENT COMPANIES.

Not applicable to this filing.

#### ITEM 8. PORTFOLIO MANAGERS OF CLOSED-END MANAGEMENT INVESTMENT COMPANIES

Not applicable to this filing.

#### ITEM 9. PURCHASES OF EQUITY SECURITIES BY CLOSED-END MANAGEMENT INVESTMENT COMPANY AND AFFILIATED PURCHASERS.

No reportable purchases for the period covered by this report.

#### ITEM 10. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS.

There were no changes to the procedures by which shareholders may recommend nominees to the Board of Trustees of the Fund.

#### ITEM 11. CONTROLS AND PROCEDURES.

(a) Based on an evaluation of the disclosure controls and procedures (as defined in rule 30a-3(c) under the Investment Company Act of 1940, as amended (the "Act")) as of a date within 90 days of the filing date of this document, the Chief Executive Officer and Treasurer and Principal Financial and Accounting Officer of the Registrant have concluded that such disclosure controls and procedures are effectively designed to ensure that information required to be disclosed by the Registrant 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 Act) that occurred during the second fiscal quarter of the period covered by this report that has materially affected, or is reasonably likely to materially affect, the Registrant's internal control over financial reporting.

ITEM 12. EXHIBITS.

(a) (1) Not applicable to this filing

(a) (2) The certifications required by rule 30a-2(a) of the Act and Section 302 of the Sarbanes-Oxley Act of 2002 ("Sarbanes-Oxley Act") are filed herewith.

(a) (3) Not applicable to the Registrant.

(b) The certifications required by rule 30a-2(b) of the Act and Section 906 of the Sarbanes-Oxley Act are filed herewith.

The certifications provided pursuant to Section 906 of the Sarbanes-Oxley Act are not deemed "filed" for purposes of Section 18 of the Securities Exchange Act of 1934 ("Exchange Act"), or otherwise subject to the liability of that section. Such certifications will not be deemed to be incorporated by reference into any filing under the Securities Act of 1933 or the Exchange Act, except to the extent that the Registrant specifically incorporates them by reference.

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: 08/30/06

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/ Peter E. Sundman

-----  
Peter E. Sundman, Chief Executive Officer  
Date: 08/30/06

By: /s/ John M. McGovern

-----  
John M. McGovern, Treasurer and  
Principal Financial and Accounting Officer

Date: 08/30/06