

EXHIBIT “C”

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Prospectus supplement dated July 28, 2006 (to prospectus dated March 28, 2006)

\$973,112,000
(Approximate)Bear Stearns Mortgage Funding Trust 2006-AR1
Issuing EntityEMC Mortgage Corporation
Servicer and SponsorStructured Asset Mortgage Investments II Inc.
DepositorBear Stearns Mortgage Funding Trust 2006-AR1
Mortgage Pass-Through Certificates, Series 2006-AR1

You should consider carefully the risk factors beginning on page S-12 in this prospectus supplement.

The Trust

The trust will consist primarily of a pool of 30-year and 40-year conventional, adjustable rate, negative amortization mortgage loans secured by first liens on one- to four-family residential properties, divided into two primary loan groups, designated loan group I and loan group II.

The trust will issue the following classes of certificates that are offered under this prospectus supplement:

- o 4 classes of group I senior certificates designated Class I-A-1, Class I-A-2, Class I-A-3 and Class I-X Certificates;
- o 7 classes of group I subordinate certificates designated Class I-B-1, Class I-B-2, Class I-B-3, Class I-B-4, Class I-B-5, Class I-B-6 and Class I-B-7 Certificates;
- o 3 classes of group II senior certificates designated Class II-A-1, Class II-A-2 and Class II-A-3 Certificates;
- o 4 classes of group II subordinate certificates designated Class II-B-1, Class II-B-2, Class II-B-3 and Class II-B-4 Certificates;

each as more fully described in the tables beginning on page S-2 of this prospectus supplement.

The certificates are obligations only of the trust, as the issuing entity. Neither the certificates nor the mortgage loans are insured or guaranteed by any person, except as described herein. Distributions on the certificates will be payable solely from the assets transferred to the trust for the benefit of certificateholders.

Credit Enhancement

Credit enhancement for the offered certificates will consist of excess spread, overcollateralization and additional classes of subordinated certificates. The offered certificates (other than the Class I-X Certificates) and the Class II-B-5 certificates may receive additional distributions in respect of interest from payments under the related cap contracts, as described herein. Distributions on the certificates will be on the 25th of each month, or, if the 25th is not a business day, on the next business day, beginning in August 2006.

Neither the Securities and Exchange Commission nor any state securities commission has approved the certificates or determined if this prospectus supplement or the prospectus is accurate or complete. Any representation to the contrary is a criminal offense.

The Attorney General of the State of New York has not passed on or endorsed the merits of this offering. Any representation to the contrary is unlawful.

The price to investors will vary from time to time and will be determined at the time of sale. The proceeds to the depositor from the offering are expected to be approximately 100.27% of the aggregate principal amount of the offered certificates, plus accrued interest thereon, less expenses. See "Method of Distribution" in this prospectus supplement.

The Underwriter will deliver to purchasers the offered certificates in book-entry form through The Depository Trust Company, Clearstream Banking, société anonyme and the Euroclear System, in each case, on or about July 31, 2006.

Bear, Stearns & Co. Inc.
Underwriter

Important notice about information presented in this prospectus supplement and the accompanying prospectus

You should rely only on the information contained in this document. We have not authorized anyone to provide you with different information.

We provide information to you about the offered certificates in two separate documents that progressively provide more detail:

- o the accompanying prospectus, which provides general information, some of which may not apply to this series of certificates; and
- o this prospectus supplement, which describes the specific terms of your certificates.

Annex I and Schedule A are incorporated into and comprise a part of this prospectus supplement as if fully set forth herein.

The description of your certificates in this prospectus supplement is intended to enhance the related description in the prospectus and you should rely on the information in this prospectus supplement as providing additional detail not available in the prospectus.

result of application of the Relief Act or similar state law, the Servicer will be required to deposit in to the Custodial Account on the date specified in the Agreement an amount equal to such delinquency, net of the Servicing Fee Rate, except to the extent the Servicer determines any such advance to be nonrecoverable from Liquidation Proceeds, Insurance Proceeds or from future payments on the mortgage loan for which such advance was made. Subject to the foregoing, such advances will be made by the Servicer or subservicer, if applicable, through final disposition or liquidation of the related mortgaged property. Any failure of the Servicer to make such advances would constitute an Event of Default under the Agreement, in which case the Trustee, as successor Servicer, will be required to make such advance in accordance with the Agreement. See "The Agreements—Events of Default and Rights Upon Event of Default" in the prospectus.

All Monthly Advances will be reimbursable to the party making such Monthly Advance from late collections, Insurance Proceeds and Liquidation Proceeds from the mortgage loan as to which the unreimbursed Monthly Advance was made. In addition, any Monthly Advances previously made in respect of any mortgage loan that are deemed by the Servicer or a subservicer to be nonrecoverable from related late collections, Insurance Proceeds or Liquidation Proceeds may be reimbursed to such party out of any funds in the Custodial Account prior to the distributions on the Certificates.

Allocation of Realized Losses; Subordination

General

Subordination provides the holders of Offered Certificates in a Loan Group having a higher payment priority with protection against Realized Losses on the related mortgage loans. In general, this loss protection is accomplished by allocating any Realized Losses in a Loan Group in excess of available Excess Spread and any current overcollateralization (if any) for such loan group among the related Subordinate Certificates, beginning with the Subordinate Certificates with the lowest payment priority until the Current Principal Amount of that subordinate class has been reduced to zero.

With respect to any defaulted mortgage loan that is finally liquidated through foreclosure sale, disposition of the related mortgaged property if acquired on behalf of the certificateholders by deed-in-lieu of foreclosure or otherwise, the amount of loss realized, if any, will equal the portion of the unpaid principal balance remaining, if any, plus interest thereon through the last day of the month in which such mortgage loan was finally liquidated, after application of all amounts recovered (net of amounts reimbursable to the Servicer for Monthly Advances, the Servicing Fee, servicing advances and certain other amounts specified in the Agreement) towards interest and principal owing on the mortgage loan. The amount of such loss realized on a mortgage loan, together with the amount of any Bankruptcy Loss (if any) in respect of a mortgage loan is referred to in this prospectus supplement as a Realized Loss.

There are two types of Bankruptcy Losses that can occur with respect to a mortgage loan. The first type of Bankruptcy Loss, referred to in this prospectus supplement as a Deficient Valuation, results if a court, in connection with a personal bankruptcy of a mortgagor, establishes the value of a mortgaged property at an amount less than the unpaid principal balance of the mortgage loan secured by such mortgaged property. In such a case, the holder of such mortgage loan would become an unsecured creditor to the extent of the difference between the unpaid principal balance of such mortgage loan and such reduced unsecured debt. The second type of Bankruptcy Loss, referred to in this prospectus supplement as a Debt Service Reduction, results from a court reducing the amount of the monthly payment on the related mortgage loan, in connection with the personal bankruptcy of a mortgagor.

The principal portion of Debt Service Reductions will not be allocated in reduction of the Current Principal Amount of any class of Certificates. Regardless of when they occur, Debt Service Reductions may reduce the amount of available funds that would otherwise be available for distribution on a distribution date. As a result of the subordination of the Subordinate Certificates in a loan group in right of distribution of available funds to the related Senior Certificates, any Debt Service Reductions will be borne by the Subordinate Certificates (to the extent then outstanding) in inverse order of priority.

Any allocation of a principal portion of a Realized Loss to a Certificate will be made by reducing the Current Principal Amount thereof by the amount so allocated as of the distribution date in the month following the calendar month in which such Realized Loss was incurred.

An allocation of a Realized Loss on a pro rata basis among two or more classes of Certificates means an allocation to each such class of Certificates on the basis of its then outstanding Current Principal Amount prior to giving effect to distributions to be made on such distribution date.

The interest portion of Realized Losses will be allocated among the outstanding related classes of Certificates offered hereby to the extent described under "Distributions on the Certificates—Interest" above.

In the event that the Servicer or any subservicer recovers any amount in respect of a Liquidated Mortgage Loan with respect to which a Realized Loss has been incurred after liquidation and disposition of such mortgage loan, any such amount, which is referred to in this prospectus supplement as a Subsequent Recovery, will be distributed as part of available funds in accordance with the priorities described under "Description of the Certificates—Distributions on the Certificates" in this prospectus supplement. Additionally, the Current Principal Amount of each class of Subordinate Certificates that has been reduced by the allocation of a Realized Loss to such Certificate will be increased, in order of seniority, by the amount of such Subsequent Recovery, but not in excess of the amount of any Realized Losses previously allocated to such class of Certificates and not previously offset by Subsequent Recoveries. Holders of such Certificates will not be entitled to any payment in respect of Current Interest on the amount of such increases for an Interest Accrual Period preceding the distribution date on which such increase occurs.

Allocation of Realized Losses

The Applied Realized Loss Amount for the group I mortgage loans shall be allocated first to the Class I-B-7, Class I-B-6, Class I-B-5, Class I-B-4, Class I-B-3, Class I-B-2 and Class I-B-1 Certificates, sequentially in that order, in each case until the Current Principal Amount of each such class has been reduced to zero. Thereafter, the principal portion of Realized Losses on the group I mortgage loans will be allocated on any distribution date to the Class I-A-3, the Class I-A-2 and Class I-A-1 Certificates, sequentially in that order, until the Current Principal Amount of each such class has been reduced to zero. Realized Losses will not be allocated to the Class I-X Certificates.

The Applied Realized Loss Amount for the group II mortgage loans shall be allocated first to the Class II-B-5, Class II-B-4, Class II-B-3, Class II-B-2 and Class II-B-1 Certificates, sequentially in that order, in each case until the Current Principal Amount of each such class has been reduced to zero. Thereafter, the principal portion of Realized Losses on the group II mortgage loans will be allocated on any distribution date first to the Class II-A-3, Class II-A-2 and Class II-A-1 Certificates, sequentially in that order, until the Current Principal Amount of each such class has been reduced to zero.

No reduction of the Current Principal Amount of any class will be made on any distribution date on account of Realized Losses to the extent that such allocation would result in the reduction of the aggregate Current Principal Amounts of all Certificates as of such distribution date, after giving effect to all distributions and prior allocations of Realized Losses on the mortgage loans in the related Loan Group on such date, to an amount less than the aggregate Stated Principal Balance of all of the mortgage loans in the related Loan Group as of the first day of the month of such distribution date. The limitation described in this paragraph is referred to herein as the Loss Allocation Limitation.

Excess Spread and Overcollateralization Provisions

Excess Spread in each Loan Group will be required to be applied as an Extra Principal Distribution Amount with respect to the related Offered Certificates whenever the related Overcollateralization Amount is less than the related Overcollateralization Target Amount. If on any distribution date, after giving effect to allocations of Principal Distribution Amounts, the aggregate Current Principal Amount of the Offered Certificates in a Loan Group exceeds the aggregate Stated Principal Balance of the related mortgage loans for such distribution date, the Current Principal Amounts of the Subordinate Certificates in such Loan Group will be reduced,