

# **EXHIBIT “I”**

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PROSPECTUS SUPPLEMENT DATED MAY 30, 2006 (TO PROSPECTUS DATED MARCH 28, 2006)  
\$951,921,000  
(APPROXIMATE)

STRUCTURED ASSET MORTGAGE INVESTMENTS II TRUST 2006-AR5  
ISSUING ENTITY  
WELLS FARGO BANK, NATIONAL ASSOCIATION  
MASTER SERVICER AND SECURITIES ADMINISTRATOR  
STRUCTURED ASSET MORTGAGE INVESTMENTS II INC.  
DEPOSITOR  
STRUCTURED ASSET MORTGAGE INVESTMENTS II TRUST 2006-AR5  
MORTGAGE PASS-THROUGH CERTIFICATES, SERIES 2006-AR5

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YOU SHOULD CONSIDER CAREFULLY THE RISK FACTORS BEGINNING ON PAGE S-22 IN THIS  
PROSPECTUS SUPPLEMENT.  
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#### THE TRUST

The trust will consist primarily of a pool of adjustable rate mortgage loans secured by first liens on one- to four-family residential properties, subdivided into four sub-loan groups: sub-loan group 1, sub-loan group 2, sub-loan group 3 and sub-loan group 4. The trust will be represented by thirty-one classes of certificates, twenty-five of which are offered pursuant to this prospectus supplement, all as more fully described in the tables beginning on page S-7 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 subordination. The adjustable rate 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 June, 2006.

NEITHER THE SECURITIES AND EXCHANGE COMMISSION NOR ANY STATE SECURITIES COMMISSION HAS APPROVED OR DISAPPROVED OF THESE SECURITIES OR PASSED UPON THE ADEQUACY OF THIS PROSPECTUS. 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 103.2% of the aggregate principal amount of the offered certificates, plus accrued interest thereon, less expenses which are estimated to be \$1,035,000. 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 on or about May 31, 2006.

BEAR, STEARNS & CO. INC.  
UNDERWRITER

approximately 7.75%.

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For purposes of all principal distributions described above and for calculating the applicable Subordinate Optimal Principal Amount, Subordinate Percentage and Subordinate Prepayment Percentage, the applicable Certificate Principal Balance for any distribution date shall be determined before the allocation of losses on the mortgage loans in the mortgage pool to be made on such distribution date as described under "--ALLOCATION OF LOSSES; SUBORDINATION" in this prospectus supplement.

#### MONTHLY ADVANCES

If the scheduled payment on a mortgage loan which was due on a related Due Date is delinquent other than as a result of application of the Relief Act or similar state law, the Servicer will be required to remit to the Master Servicer on the date specified in the Servicing Agreement an amount equal to such delinquency, net of the Servicing Fee 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 subservicers, if applicable, through final disposition or liquidation of the related mortgaged property, or until such time as specified in the Servicing Agreement. Failure by the Servicer to remit any required advance, which failure goes unremedied for the number of days specified in the Servicing Agreement, will constitute an event of default under the Servicing Agreement. Such event of default shall then obligate the Master Servicer as successor servicer to advance such amounts to the Distribution Account to the extent provided in the Agreement. Any failure of the Master Servicer to make such advances would constitute an Event of Default as discussed under "THE AGREEMENTS--EVENTS OF DEFAULT AND RIGHTS UPON EVENT OF DEFAULT" in the prospectus. The Trustee, as successor master servicer, will be required to make an advance which the Master Servicer is required to make but fails to do so.

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, subservicer or Master Servicer to be nonrecoverable from related late collections, Insurance Proceeds or Liquidation Proceeds may be reimbursed to such party out of any funds in the Distribution Account prior to the distributions on the Certificates.

#### ALLOCATION OF REALIZED LOSSES; SUBORDINATION

##### GENERAL

Subordination provides the holders of the Certificates having a higher payment priority with protection against Realized Losses on the mortgage loans. In general, this loss protection is accomplished by allocating any Realized Losses among the Subordinate Certificates, beginning with the Subordinate Certificates with the lowest payment priority until the Certificate Principal Balance of that class of Subordinate Certificates 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 or Master Servicer for Monthly Advances, Servicing Fees, servicing advances and certain other amounts specified in the Servicing Agreement) towards

interest and principal owing on the mortgage loan. The amount of such loss realized on a mortgage loan, together with the

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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 Certificate Principal Balance of any class of Certificates. As a result of the subordination of the Subordinate Certificates in right of distribution of available funds to the related Senior Certificates, any Debt Service Reductions will generally be borne by the Subordinate Certificates (to the extent then outstanding) in inverse order of priority. However, after the Cross-Over Date, the amounts distributable under clause (1) of the applicable definition of Senior Optimal Principal Amount for each Sub-Loan Group will be reduced by the amount of any Debt Service Reductions applicable to the mortgage loans of the related Sub-Loan Group. Regardless of when they occur, Debt Service Reductions may reduce the amount of available funds for a Sub-Loan Group that would otherwise be available for distribution on a distribution date.

In the event that the Servicer, the Master Servicer or any sub-servicer 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 for the related Sub-Loan Group in accordance with the priorities described under "DESCRIPTION OF THE CERTIFICATES--DISTRIBUTIONS ON THE CERTIFICATES" in this prospectus supplement. Additionally, the Certificate Principal Balance of each class of 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 interest on the amount of such increases for an Interest Accrual Period preceding the distribution date on which such increase occurs.

Any allocation of a principal portion of a Realized Loss to a Certificate will be made by reducing the Certificate Principal Balance 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 Certificate Principal Balance prior to giving effect to distributions to be made on such distribution date.

#### ALLOCATION OF REALIZED LOSSES ON THE CERTIFICATES