

SMOLYANSKY LUDMILA

Form 4

October 12, 2006

FORM 4

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

OMB APPROVAL

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Check this box if no longer subject to Section 16. Form 4 or Form 5 obligations may continue. See Instruction 1(b).

STATEMENT OF CHANGES IN BENEFICIAL OWNERSHIP OF SECURITIES

Filed pursuant to Section 16(a) of the Securities Exchange Act of 1934, Section 17(a) of the Public Utility Holding Company Act of 1935 or Section 30(h) of the Investment Company Act of 1940

(Print or Type Responses)

1. Name and Address of Reporting Person *
SMOLYANSKY LUDMILA

2. Issuer Name and Ticker or Trading Symbol
LIFEWAY FOODS INC [LWAY]

5. Relationship of Reporting Person(s) to Issuer

(Check all applicable)

(Last) (First) (Middle)

3. Date of Earliest Transaction (Month/Day/Year)
10/11/2006

Director 10% Owner
 Officer (give title below) Other (specify below)

C/O LIFEWAY FOODS, INC., 6431 W. OAKTON ST.

(Street)

4. If Amendment, Date Original Filed(Month/Day/Year)

6. Individual or Joint/Group Filing(Check Applicable Line)
 Form filed by One Reporting Person
 Form filed by More than One Reporting Person

MORTON GROVE, IL 60053

(City) (State) (Zip)

Table I - Non-Derivative Securities Acquired, Disposed of, or Beneficially Owned

| 1. Title of Security (Instr. 3) | 2. Transaction Date (Month/Day/Year) | 2A. Deemed Execution Date, if any (Month/Day/Year) | 3. Transaction Code (Instr. 8) | 4. Securities Acquired (A) or Disposed of (D) (Instr. 3, 4 and 5) | 5. Amount of Securities Beneficially Owned Following Reported Transaction(s) (Instr. 3 and 4) | 6. Ownership Form: Direct (D) or Indirect (I) (Instr. 4) | 7. Nature of Ownership (Instr. 4) |
|---------------------------------|--------------------------------------|--|--------------------------------|---|---|--|-----------------------------------|
| | | | | (A) or (D) Code V Amount (D) Price | | | |
| Common stock, no par value | 10/11/2006 | | I | 319 D \$ 7.38 | 7,679,327 | D | |
| Common stock, no par value | 10/11/2006 | | I | 100 D \$ 7.41 | 7,679,227 | D | |
| Common stock, no par value | 10/11/2006 | | I | 100 D \$ 7.42 | 7,679,127 | D | |
| Common stock, no par value | 10/11/2006 | | I | 2,381 D \$ 7.4 | 7,676,746 | D | |

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| | | | | | | | | |
|----------------------------|------------|--|---|-------|---|-----------|-----------|-------------------|
| par value | | | | | | | | |
| Common stock, no par value | 10/11/2006 | | I | 133 | D | \$ 7.44 | 7,676,613 | D |
| Common stock, no par value | 10/11/2006 | | I | 348 | D | \$ 7.45 | 7,676,265 | D |
| Common stock, no par value | 10/11/2006 | | I | 1,000 | D | \$ 7.4505 | 7,675,265 | D |
| Common stock, no par value | 10/11/2006 | | I | 3,000 | D | \$ 7.46 | 7,672,265 | D |
| Common stock, no par value | 10/11/2006 | | I | 1,300 | D | \$ 7.52 | 7,670,965 | D |
| Common stock, no par value | 10/11/2006 | | I | 100 | D | \$ 7.53 | 7,670,865 | D |
| Common stock, no par value | | | | | | | 32,000 | I |
| | | | | | | | | See footnote. (1) |

Reminder: Report on a separate line for each class of securities beneficially owned directly or indirectly.

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Table II - Derivative Securities Acquired, Disposed of, or Beneficially Owned (e.g., puts, calls, warrants, options, convertible securities)

| 1. Title of Derivative Security (Instr. 3) | 2. Conversion or Exercise Price of Derivative Security | 3. Transaction Date (Month/Day/Year) | 3A. Deemed Execution Date, if any (Month/Day/Year) | 4. Transaction Code (Instr. 8) | 5. Number of Derivative Securities Acquired (A) or Disposed of (D) (Instr. 3, 4, and 5) | 6. Date Exercisable and Expiration Date (Month/Day/Year) | 7. Title and Amount of Underlying Securities (Instr. 3 and 4) | 8. Price of Derivative Security (Instr. 5) | 9. Number of Derivative Securities Beneficially Owned Following Reported Transaction (Instr. 6) |
|--|--|--------------------------------------|--|--------------------------------|---|--|---|--|---|
| | | | | Code | V (A) (D) | Date Exercisable | Expiration Date | Title | Amount or Number of Shares |

Reporting Owners

| Reporting Owner Name / Address | Relationships | | | |
|---|---------------|-----------|---------|-------|
| | Director | 10% Owner | Officer | Other |
| SMOLYANSKY LUDMILA C/O LIFEWAY FOODS, INC. 6431 W. OAKTON ST. MORTON GROVE, IL 60053 | X | X | | |

Signatures

/s/ Lumila
Smolyansky 10/12/2006

**Signature of Date
Reporting Person

Explanation of Responses:

- * If the form is filed by more than one reporting person, *see* Instruction 4(b)(v).
 - ** Intentional misstatements or omissions of facts constitute Federal Criminal Violations. *See* 18 U.S.C. 1001 and 15 U.S.C. 78ff(a).
- (1) These shares are held in the Smolyansky Family Foundation, of which Ludmila Smolyansky is a trustee.

Note: File three copies of this Form, one of which must be manually signed. If space is insufficient, *see* Instruction 6 for procedure.
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