

SMOLYANSKY LUDMILA  
Form 4  
October 27, 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)  
C/O LIFEWAY FOODS, INC., 6431 W. OAKTON ST.

3. Date of Earliest Transaction (Month/Day/Year)  
10/26/2006

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

(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) |
|---------------------------------|--------------------------------------|--|--------------------------------|---|---|------------|---|--|-----------------------------------|
|                                 |                                      |  | Code                           | V | Amount  | (A) or (D) |   |  |                                   |
| Common stock, no par value      | 10/26/2006                           |  | I                              |   | 800   | D          | \$ 7.97   | 7,625,767  | D                                 |
| Common stock, no par value      | 10/26/2006                           |  | I                              |   | 1,200   | D          | \$ 7.98   | 7,624,567  | D                                 |
| Common stock, no par value      | 10/26/2006                           |  | I                              |   | 1,700   | D          | \$ 8  | 7,622,867  | D                                 |
| Common stock, no                | 10/26/2006                           |  | I                              |   | 1,200   | D          | \$ 8.03   | 7,621,667  | D                                 |

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|                            |            |   |       |   |         |           |   |  |                         |
|----------------------------|------------|---|-------|---|---------|-----------|---|--|-------------------------|
| par value                  |            |   |       |   |         |           |   |  |                         |
| Common stock, no par value | 10/26/2006 | I | 2,300 | D | \$ 8.04 | 7,619,367 | D |  |                         |
| Common stock, no par value | 10/26/2006 | I | 2,600 | D | \$ 8.05 | 7,616,767 | D |  |                         |
| Common stock, no par value | 10/26/2006 | I | 200   | D | \$ 8.06 | 7,616,567 | D |  |                         |
| Common stock, no par value | 10/26/2006 | I | 1,013 | D | \$ 8.09 | 7,615,554 | D |  |                         |
| Common stock, no par value | 10/26/2006 | I | 1,300 | D | \$ 8.22 | 7,614,254 | D |  |                         |
| Common stock, no par value | 10/26/2006 | I | 100   | D | \$ 8.26 | 7,614,154 | D |  |                         |
| Common stock, no par value | 10/26/2006 | I | 500   | D | \$ 8.27 | 7,613,654 | D |  |                         |
| Common stock, no par value | 10/26/2006 | I | 100   | D | \$ 8.28 | 7,613,554 | D |  |                         |
| Common stock, no par value |            |   |       |   |         | 32,000    | I |  | See footnote <u>(1)</u> |

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

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(9-02)

**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) | 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. Nu Deriv Secur Bene Own Follo Repo Trans (Instr |
|--|--|--------------------------------------|--|--------------------------------|--|--|---|--|--|
|--|--|--------------------------------------|--|--------------------------------|--|--|---|--|--|

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(Instr. 3,  
4, and 5)

|                | Date<br>Exercisable | Expiration<br>Date | Title | Amount<br>or<br>Number<br>of<br>Shares |
|----------------|---------------------|--------------------|-------|--|
| Code V (A) (D) |                     |                    |       |  |

## Reporting Owners

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

## Signatures

/s/ Ludmila  
Smolyansky 10/27/2006

\_\_Signature of Reporting Person Date

## 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. Potential persons who are to respond to the collection of information contained in this form are not required to respond unless the form displays a currently valid OMB number.