

SMOLYANSKY LUDMILA  
Form 4  
October 12, 2006

**FORM 4**

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

OMB APPROVAL

OMB Number: 3235-0287  
Expires: January 31, 2005  
Estimated average burden hours per response... 0.5

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)  
10/10/2006

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) Price			
Common stock, no par value	10/10/2006		I	1,019 D \$ 7.4	7,699,013	D	
Common stock, no par value	10/10/2006		I	56 D \$ 7.4006	7,698,957	D	
Common stock, no par value	10/10/2006		I	300 D \$ 7.41	7,698,657	D	
Common stock, no par value	10/10/2006		I	936 D \$ 7.42	7,697,721	D	

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par value							
Common stock, no par value	10/10/2006	I	200	D	\$ 7.43	7,697,521	D
Common stock, no par value	10/10/2006	I	200	D	\$ 7.44	7,697,321	D
Common stock, no par value	10/10/2006	I	100	D	\$ 7.45	7,697,221	D
Common stock, no par value	10/10/2006	I	4,895	D	\$ 7.51	7,692,326	D
Common stock, no par value	10/10/2006	I	1,480	D	\$ 7.5106	7,690,846	D
Common stock, no par value	10/10/2006	I	1,600	D	\$ 7.5108	7,689,246	D
Common stock, no par value	10/10/2006	I	200	D	\$ 7.52	7,689,046	D
Common stock, no par value	10/10/2006	I	100	D	\$ 7.54	7,688,946	D
Common stock, no par value	10/10/2006	I	200	D	\$ 7.56	7,688,746	D
Common stock, no par vallue	10/10/2006	I	1,000	D	\$ 7.562	7,687,746	D
Common stock, no par value	10/10/2006	I	595	D	\$ 7.5719	7,687,151	D
Common stock, no par value	10/10/2006	I	300	D	\$ 7.57	7,686,851	D
Common stock, no par value	10/10/2006	I	200	D	\$ 7.58	7,686,651	D
Common stock, no par value	10/10/2006	I	205	D	\$ 7.62	7,686,446	D

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Common stock, no par value	10/10/2006		I	2,100	D	\$ 7.65	7,684,346	D	
Common stock, no par value	10/10/2006		I	100	D	\$ 7.68	7,684,246	D	
Common stock, no par value	10/10/2006		I	2,000	D	\$ 7.69	7,682,246	D	
Common stock, no par value	10/10/2006		I	1,900	D	\$ 7.6109	7,680,346	D	
Common stock, no par value	10/10/2006		I	200	D	\$ 7.7	7,680,146	D	
Common stock, no par value	10/10/2006		I	400	D	\$ 7.71	7,679,746	D	
Common stock, no par value	10/10/2006		I	100	D	\$ 7.72	7,679,646	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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SEC 1474  
(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) (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

## 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  
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.