SMOLYANSKY LUDMILA

Form 4

October 27, 2006

FORM 4

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

OMB 3235-0287 Number:

Check this box if no longer subject to Section 16.

January 31, Expires: 2005

OMB APPROVAL

Form 4 or Form 5 obligations STATEMENT OF CHANGES IN BENEFICIAL OWNERSHIP OF **SECURITIES**

Estimated average burden hours per response... 0.5

may continue. See Instruction

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

1(b).

(Print or Type Responses)

1. Name and Address of Reporting Person * SMOLYANSKY LUDMILA

2. Issuer Name and Ticker or Trading

5. Relationship of Reporting Person(s) to Issuer

Symbol

LIFEWAY FOODS INC [LWAY]

(Check all applicable)

(Last)

(First)

(Middle) 3. Date of Earliest Transaction

10/26/2006

(Month/Day/Year)

_X__ 10% Owner _X__ Director __ Other (specify Officer (give title

C/O LIFEWAY FOODS, INC., 6431

(Street)

W. OAKTON ST.

4. If Amendment, Date Original

Filed(Month/Day/Year)

6. Individual or Joint/Group Filing(Check

Applicable Line)

X Form filed by One Reporting Person Form filed by More than One Reporting

below)

MORTON GROVE, IL 60053

(City)	(State) (Z	Zip) Table	I - Non-Do	erivative S	Securi	ities Acc	quired, Disposed o	of, or Beneficial	ly 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 on(A) or Disposed of (D) (Instr. 3, 4 and 5)		5. Amount of Securities Beneficially Owned Following Reported	6. Ownership Form: Direct (D) or Indirect (I) (Instr. 4)	7. Nature of Indirect Beneficial Ownership (Instr. 4)	
			Code V	Amount	(A) or (D)	Price	Transaction(s) (Instr. 3 and 4)		
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 (1)

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	2.	3. Transaction Date	3A. Deemed	4.	5.	6. Date Exercisable and	7. Title and	8. Price of	9. Nu
Derivative	Conversion	(Month/Day/Year)	Execution Date, if	Transaction	orNumber	Expiration Date	Amount of	Derivative	Deriv
Security	or Exercise		any	Code	of	(Month/Day/Year)	Underlying	Security	Secui
(Instr. 3)	Price of		(Month/Day/Year)	(Instr. 8)	Derivativ	e	Securities	(Instr. 5)	Bene
	Derivative				Securities	S	(Instr. 3 and 4)		Own
	Security				Acquired				Follo
					(A) or				Repo
					Disposed				Trans
					of (D)				(Instr

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(Instr. 3, 4, and 5)

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/ Ludmila
Smolyansky 10/27/2006

**Signature of Reporting 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.

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