

SMOLYANSKY EDWARD

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 EDWARD

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)
10/25/2006

____ Director _____ 10% Owner
 Officer (give title below) _____ Other (specify below)
CFO, Treasurer

(Street)
MORTON GROVE, IL 60053

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

(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) Price | | |
| Common stock, no par value | 10/25/2006 | | I | | 950 D \$ 7.86 | 10,450 | I See footnote (1) |
| Common stock, no par value | 10/25/2006 | | I | | 902 D \$ 7.87 | 9,548 | I See footnote (1) |
| Common stock, no par value | 10/25/2006 | | I | | 3,000 D \$ 7.9 | 6,548 | I See footnote (1) |
| Common stock, no | 10/25/2006 | | I | | 1,000 D \$ 7.91 | 5,548 | I See footnote (1) |

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| | | | | | | | | | | |
|----------------------------|------------|--|---|-------|---|---------|---------|--|---|-------------------------|
| par value | | | | | | | | | | |
| Common stock, no par value | 10/25/2006 | | I | 5,400 | D | \$ 7.92 | 148 | | I | See footnote <u>(1)</u> |
| Common stock, no par value | 10/25/2006 | | I | 148 | D | \$ 7.93 | 0 | | I | See footnote <u>(1)</u> |
| Common stock, no par value | 10/26/2006 | | I | 1,270 | D | \$ 8.02 | 432,096 | | D | |
| Common stock, no par value | 10/26/2006 | | I | 1,300 | D | \$ 8.05 | 430,796 | | D | |
| Common stock, no par value | 10/26/2006 | | I | 300 | D | \$ 8.07 | 430,496 | | D | |
| Common stock, no par value | 10/26/2006 | | I | 700 | D | \$ 8.1 | 429,796 | | D | |
| Common stock, no par value | 10/26/2006 | | I | 360 | D | \$ 8.11 | 429,436 | | D | |
| Common stock, no par value | 10/26/2006 | | I | 70 | D | \$ 8.13 | 429,366 | | D | |

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

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

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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) (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 Report 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 EDWARD C/O LIFEWAY FOODS, INC. 6431 W. OAKTON ST. MORTON GROVE, IL 60053 | | | CFO, Treasurer | |

Signatures

/s/ Edward
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 owned by JEL General Partnership, of which the reporting person is a general partner.

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.