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NO. 9 VOL. XXXII



Family-Owned Businesses Thrive at Carlsbad Gateway Center

Louie Prager is inside Prager Brothers Artisan Bread shop, one of the family-run businesses at the 80-tenant industrial park in Carlsbad. **PAGE 8**

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COVER STORY



Carlsbad Gateway Center

At first glance, the Carlsbad Gateway Center is just another industrial park. But a closer look reveals that there's something special going on behind the scenes — a place for family-owned businesses to set up shop. Like Louie Prager of Prager Brothers Artisan Bread. Story on **Page 8**



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SAN DIEGO SCENE



Amazon Chooses UTC for its First Big Office in San Diego

Amazon signed a lease for a for 107,000 square feet of space in University City. The office, located at 10300 Campus Point Drive, is expected to house 500 employees.

San Diego Regional Economic Development Corp. said Amazon has a plan for housing, through building up apartments in the area. There is also a traffic abatement strategy for the influx of employees expected.

Amazon currently has a smaller office in Solana Beach. This will be the company's first major office in the county.

The move coming in the midst of Amazon's nationwide search for a second North American headquarters location. Any city has until October 19 to get a bid into Amazon, but the company said it would give preference to areas with 1 million residents or more.

San Diego put a bid in. A spokesperson said: "San Diego has the geographic proximity to international markets, unparalleled quality of life and workforce talent that companies like Amazon are looking for, so Mayor Faulconer's office has directed the San Diego Regional Economic Development Corporation to coordinate a regional response."

There is no word yet on when Amazon will move into the Campus Point Drive office.

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Ronson J. Shamoun, Principal Attorney and CEO of RJS LAW, is an Adjunct Law Professor at the University of San Diego-School of Law where he teaches a Tax Practice and Penalties class. He was recently presented with the following awards:

- San Diego Metro Magazine- Best Attorney 2016
- San Diego Magazine- Top Attorney 2016
- San Diego Business Journal- Best of the Bar 2014, 2015 & 2016
- Martindale Hubbell's- AC Preeminent Rated 2014, 2015 & 2016
- San Diego Daily Transcript- Top Attorney 2014 & 2015
- San Diego Metro Magazine- 40 Under 40 - 2015



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Vice Adm. Nora Tyson Relinquishes 3rd Fleet Command; Ends 38-Year Naval Career

Vice Adm. John D. Alexander relieved Vice Adm. Nora W. Tyson as commander of U.S. 3rd Fleet during a change of command and retirement ceremony held aboard the aircraft carrier USS Theodore Roosevelt at Naval Air Station North Island on Saturday. During the ceremony, Tyson retired from active duty after 38 years of naval service.

Commander of U.S. Pacific Fleet Adm. Scott H. Swift, who served as the ceremony's guest speaker, said that when Tyson was commissioned the opportunities available for women was much different. "Women were not allowed to serve in combatant ships, and they'd only just been given the opportunity to serve on sea duty aboard support and auxiliary ships less than a year prior. But for those of us that know her well, Nora was never one to let apparent obstacles get in the way of success," said Swift.

In July 2010, Tyson became the first woman to command a carrier strike group



Vice Adm. Nora W. Tyson waves at the change of command ceremonies. (U.S. Navy photo by Mass Communication Specialist Seaman Natalie M. Byers)

when she took control of the George H.W. Bush Strike Group, leading 13 ships, 80 combatant aircraft, and about 9,000 sailors, as the commander of Carrier Strike Group Two. She assumed command of the U.S. 3rd Fleet in July 2015, becoming the first woman to command an operational numbered fleet.

Alexander has served as commander of

Battle Force 7th Fleet 5, forwarded deployed aboard USS Ronald Reagan in Yokosuka, Japan; assistant commander for Career Management at Navy Personnel Command; commanding officer of Electronic Attack Squadron; commanding officer of USS Juneau, forward deployed to Sasebo, Japan; and commanding officer of the aircraft carrier USS Abraham Lincoln.

Bankers Hill Fall Festival Showcases Local Businesses

The historic community of Bankers Hill will celebrate local business and the new season with the second annual Bankers Hill Fall Festival on Saturday, Oct. 21 from 1 to 5 p.m. Designed to showcase Bankers Hill as a destination neighborhood, the Bankers Hill Fall Festival is a walk-around event inviting all ages to explore ten blocks along Fifth and Fourth Avenue. Proceeds from ticket sales will benefit the event organizer, the Bankers Hill Business Group.

Beginning at 1 p.m., attendees can visit the architecturally stunning St. Paul's Episcopal Cathedral at Fifth and Nutmeg to pick up maps displaying a trail of participating businesses offering local tastes, wellness demos, one-day shopping specials and other surprises. More than thirty neighborhood businesses including restaurants, fitness studios, boutiques, spas and art galleries will showcase their fare and wares inside their doors and upon sidewalks; streets will remain open to traffic and offer plentiful parking. Shuttle service along Fifth Avenue will be provided at no cost.

"Bankers Hill has continued to welcome new businesses into our district throughout the past few years, and new residents are following suit by moving into the area as well. We look forward to showcasing all that our growing community has to offer at this year's Bankers Hill Fall Festival," said Jake Sutton, co-founder of the Bankers Hill Business Group.

Bankers Hill Fall Festival tickets are \$15 pre-sale and \$20 the week of the event, and can be purchased at www.bankershillbusinessgroup.com/events.



Bankers Hill Fall Festival

Gomez Trial Attorneys Leaders Launch Aid to Uganda Soccer Academy

Have you ever wanted to make a difference in this world? Why not help kids in Africa!

John Gomez, founder of Gomez Trial Attorneys, and the firm's director of Outreach, Leah Grace Dawson, recently have launched "2 Feet 1 Goal, Inc." They are currently taking care of 50 little kids in Uganda, Africa and rebuilding their soccer academy.

Dawson has travel back to Africa three times. On her second trip, she met the coaches and they explained that they only had one soccer ball between all 50 kids and that their uniforms had been at the print shop for three years because they couldn't come up with \$150.

Dawson collected money from Gomez Trial Attorneys and was able to give them \$300. It was then that she decided she wanted to give them more and provide for these specific children. When she met with Gomez about it, he agreed. Together they started 2 Feet 1 Goal.

Dawson made a promise to assist the kids in fundraising for all the equipment and resources they need to become a legitimate soccer academy. Every child will receive boots, shin guards, uniforms, water bottles and the coaches will be given agility ladders, goals, cones, whistles and more.

In addition to the academy, 2 Feet 1 Goal will host a 24-team

soccer tournament in Uganda next month. The Rock Church has asked to partner and have 2 Feet 1 Goal fully fund the tournament. It has agreed to purchase

a cow for the winner and six goats.

2 Feet 1 Goal is not limited to just soccer in Africa but will use all sports as a platform to help children succeed. 2 Feet 1 Goal's mission is to use sports to create leaders and athletes worldwide. Its vision is to create leaders through sports worldwide.

To donate, send checks to: 2 Feet 1 Goal Inc., 1980 Kettner Blvd., No. 602, San Diego, CA 92101.



Soccer academy kids with Leah Grace Dawson.

CORRECTION:

In last month's 40 Under 40 Awards issue, award winner Micaela P. Banach was mistakenly identified as president of the San Diego County Bar Association. Micaela is actually president of the San Diego County Bar Foundation. These are two different organizations. Professionally, Micaela is a partner in the Noonan Lance Boyer & Banach law firm in San Diego.



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Today, 15-20 percent of the tenants at the Carlsbad Gateway Center make their own products.

It's a Family Affair at Carlsbad Gateway Center

Family owned businesses thrive in a Makers' Park **By Jennifer Coburn**

At first glance, the Carlsbad Gateway Center is just another industrial park. But a closer look reveals that there's something special going on behind the scenes. It is fast becoming the place for family-owned businesses to set up shop — and for families to bring the kids to learn about healthy eating and food sourcing.

The 80-tenant industrial park opened its doors in the 1980s and, like most, offered affordable office space for businesses like mortgage brokers, real estate agencies, and wholesale manufacturers. It did not lease storefront retail space because city zoning did not allow it — or so they thought. Around 20 years later, the property managers got a call from a local brewer who wanted to make and sell his own beer. He said he chose the Carlsbad Gateway Center specifically because it was zoned for retail sales.

As it turned out, the brewer was right. He could, in fact, make and sell his own beer at the Carlsbad Gateway Center. And others could make and sell their products as well.

This discovery gave birth to a new identity for the industrial park: that of a maker's space and family attraction. Today, 15-20 percent of the tenants at the Carlsbad Gateway Center make their own products, according to Property Manager Toni Adamopoulos, who has been on site since 2005. About a decade ago, she started seeing a boon in local entrepreneurs who were interested in setting up shop at the center. "They were startups with passion for what they do," she says. Another thing she noticed was that many of the businesses were family-owned. "It's a comfortable environment for families who are coming from running businesses in their homes into small spaces. We have married couples, siblings, parents and their children."

Prager Brothers Artisan Bread just doubled the size of its space

at the center after the tremendous growth. After graduating from college, brothers Louie and Clinton Prager moved in with their parents and struggled to find employment. They began building adobe wood-fired and brick ovens in their backyard and experimenting with recipes for pizza and bread.

Soon the brothers were selling bread at farmers markets and delivering to local businesses. Their father was skeptical that there would be a demand for high-end bread, but pitched in all the same, by helping his sons convert the backyard shed into a bakery. He also assists with sales and deliveries. Their mother, who is a comptroller by trade, helps with accounting and "heavy duty tax stuff," says Louie.

Louie says the best part about working with his brother is having someone he can completely trust without reservation. Even the downside — the sibling rivalry that never goes away — works to their advantage. It fuels productivity because "we are always competing to make a better loaf," he says. "Trying to outdo each other continues to push the quality."

The bakery is a popular destination for families with young children because of the large window looking into the kitchen from the sidewalk. Adamopoulos says kids are always looking in to watch employees making bread or twisting pretzels. The brothers offer tours to schools when they are able and plan to launch a series of baking classes in the future.

The baker brothers are not the only tenants working to provide healthy food while educating people about where their food comes from. Husband and wife Mark and Rebekah Stogsdill run the Happy Pantry, which offers homemade fermented vegetable and kombucha. It also has a raw kitchen that serves lunch.



Daily Harvest Express owners Ivonne Ganss, Rafael Garcia and Janis Garcia. (Courtesy photo)

Rebekah says it's rewarding to introduce people, especially children, to healthy food and beverages that are also delicious. "It's not like going to Costco and getting samples, we make it really fun," she says.

Running a business together works for the couple because they handle different parts of the operation. Mark is in the kitchen while Rebekah handles the management. "We've been married so long that we can instantly read each other," she says. "We can understand what the other is thinking with a look, which is very efficient, but the downside is that we can sometimes be short with each other." She says they have learned not to take anything that happens in the kitchen personally.

A passion for healthy eating is what sparked another family-run business at Carlsbad Gateway Center. Daily Harvest Express is operated by Janis and Rafael Garcia, along with Rafael's daughter, Ivonne Ganss. "I personally wanted to know where my food was coming from," says Ganss. She explains that her "bonus mom," Janis, identified a problem for local farmers: they were unable to get their produce into supermarkets. The family began distributing locally grown produce at farmers markets and opened a stand inside a local grocery store. Soon, they realized that they could better serve farmers if they started using the power of the Internet and began offering produce baskets for delivery to local businesses. "Now we deliver a super-fresh bounty to office breakrooms and individuals," she says. "We even go to the workplace and set up a farmers market for office staff."

Property Manager, Adamopoulos, says not only are family businesses and consumers gravitating to the Carlsbad Gateway Center, the tenants have become familial as well. It's very common for businesses to support one another, she says. In fact, when she hosted a recent event, Adamopolous did all of her shopping on site from the coffee to flowers to food and beverage. "We've created a real family here, a real community."



Happy Pantry, run by Mark and Rebekah Stogsdill, offers homemade fermented vegetable and kombucha. It also has a raw kitchen that serves lunch.

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Puerto Rico's Maria Reckoning

By Nicole Gelinas



The commonwealth's bondholders shouldn't expect a bailout

After Hurricane Maria hit, Puerto Rico faces a humanitarian emergency. Along with New York State and City, Washington is focused on getting food, water, medicine, fuel, and power to stranded residents. On that final issue—specifically, electricity—the feds likely will offer aid for long-term rebuilding aid as well as short-term recovery.

And that's where things get tricky. No real rebuilding can take place without reliable power, but taxpayers shouldn't bail out the creditors who lent Puerto Rico's broken power company so much money in the first place. The island's government-run Puerto Rico Electric Power Authority, or Prepa, is now working with the New York Power Authority and federal officials to get the lights on at hospitals and other critical locations. NYPA has sent large-scale generators, as well as engineers who can help rebuild distribution and transmission lines. The feds are providing drones, debris-removal workers, and other logistical support.

Maria would have tested even the most modernized, best-run power company, but Prepa doesn't meet that description. Last year, Puerto Rico suffered a large-scale blackout that cut power to half the island's residents. A major power plant caught fire, damaging two large transmission sites. Prepa's power infrastructure is dangerously out of date, reliant on dirty and inefficient oil generators for 45 percent of its energy production, compared with a 4 percent national average. Yet Puerto Rican energy costs are high, with residents paying more for electricity than Americans in any state except Hawaii. High prices and bad service are just two reasons why Puerto Rico has been losing jobs and people for a decade.

Along with Puerto Rico itself, Prepa is bankrupt. In July, the power authority filed for insolvency under the custom-tailored bankruptcy law that President Obama signed last year. The company reported \$11.4 billion in debt, including \$8 billion in long-term bonds. Much of this debt is held by investors from the U.S. mainland, lured by tax-exempt investing incentives.

Investors did not examine Prepa's finances before helping it go broke, though performing due diligence would have been easy: in 2013, the last year that it issued long-term bonds, Prepa warned investors in writing that it had lost money for four years in a row. "These losses reflect the continuation of a historical trend of net losses," it added, noting that the amount it owed—then \$10.8 billion—exceeded its assets by nearly \$1 billion. "If this trend were to continue, the Authority's ability to fund its operations and finance its capital program"—that is, investments in better power assets—"could be negatively impacted," it warned potential lenders.

Because bondholders let Prepa stay in business for so long while deferring maintenance, the power company needed \$4.7 billion in infrastructure upgrades even before Maria hit. To its credit, it had finally begun to explore how to be more efficient. Yet bondholders

clung to the fiction that the company could repay much of its debt. To avert bankruptcy, bondholders had already agreed to 15 percent losses on the money Prepa owed; they also granted the company a debt-payment extension. It wasn't enough.

After Maria's emergency phase passes, Prepa must rebuild its permanent assets. Because the company was under-insured—it self-insured its distribution and transmission assets, with only \$90 million set aside for that purpose—Washington will likely provide much of the money to do that. The feds should work with Puerto Rico to ensure that Prepa rebuilds effectively, especially through partnerships with successful power companies from the U.S. mainland.

Precedent exists for such aid—but on a limited basis. After Superstorm Sandy hit in 2012, the feds awarded the Long Island Power Authority \$150 million for recovery and rebuilding. Nearly a decade earlier, after Katrina in 2005, New Orleans's power company, Entergy New Orleans, got a \$200 million grant. (The money came out of general federal-recovery grants.) Entergy New Orleans, though, had to recoup much of its more than \$600 million in hurricane assistance from local ratepayers, not from federal taxpayers—and before it could do so, it filed for bankruptcy, implicitly putting creditors at risk (they were eventually repaid). New York's Con Ed had to pass through virtually all of its own \$700 million in post-Sandy costs to its customers.

The history is clear: Washington generally will help restore utility service after a historic disaster, but it will not pay for everything, and Puerto Rican ratepayers can't be expected to absorb the entire cost of reconstruction. As a result, Prepa's investors will have to take much bigger losses than they anticipated. Bondholders still expect to recover about half of their investments, if their recent trades are any guide, but even this projection seems optimistic. Prepa likely won't total its financial losses from Maria for months, if not years, but its creditors could lose everything; or they might have to wait years, even decades, for even partial repayment. Congress' long-term aid package will be complex and vulnerable to lobbying.

Prepa's bondholders are in a tough spot, but they are better off than the company's customers. Prepa never served its ratepayers well—and for years, bondholders enabled them to provide poor service, at high prices. Americans have a responsibility to help Puerto Rico—but they don't have a responsibility to help those who lent unwisely to the island's power company for decades before the storm hit.

Nicole Gelinas is a City Journal contributing editor, a senior fellow at the Manhattan Institute, and the author of "After the Fall: Saving Capitalism from Wall Street—and Washington".

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Big Hurdles for Latino Entrepreneurs

Many lack access to capital to grow their businesses

Study commissioned by mission-driven lender Small Business Finance Fund will help the finance industry better serve a growing Latino business community in San Diego and California.

An estimated 40 percent of the more than 62,000 Latino-owned small businesses in San Diego County have been denied capital by a bank or other commercial lender because of lower credit scores and other perceived risks, according to a new study released today by the Small Business Finance Fund (SBFF), a community development financial institution (CDFI) established to stimulate economic growth among small businesses, particularly those owned by women, minorities and veterans.

“Latino small business owners have untapped potential as economic engines and job creators in the San Diego region and throughout California, but remain hampered by restricted access to capital driven by perceived risk factors in the lending community that has stunted Latino business growth,” said Robert Villarreal, president of SBFF, an affiliate of CDC Small Business Finance, one of the nation’s largest nonprofit lenders.

Findings of the SBFF-commissioned study, *Fueling California’s Economic Growth: A Study on Latino Business and Access to Capital in California*, were announced by Latino business leaders and other groups that have been fighting for decades to secure funding for Latino entrepreneurs throughout the state.

The study, authored by the National Association for Latino Community Asset Builders (NALCAB) with the support of JPMorgan Chase, provided an overview of Latino business in California, the lending environment they face, perspectives on best practices for lending to Latinos, and recommendations to improve the lending environment for Latino entrepreneurs.

Coming out of the great recession of 2008 to 2010, Latinos were the fastest growing segment of small business owners, according to the U.S. Census Bureau’s 2015 Survey of Business Owners.

“Latino entrepreneurs have passion and good ideas for small businesses, but all they lack is access to capital to help them grow,” said Villarreal who added that traditional bank financing is limited for Latino-owned small businesses and relies heavily on loan approvals through Small Business Administration guarantees in their 504 and 7(a) programs.

Ciro Delgadillo, owner of *Ciro Landscaping*, a family-owned and operated full-service landscape design company in Escondido, has taken advantage of SBA programs. Several years ago, Delgadillo deployed a SBA-504 loan to buy his company building. He experienced some challenges coming out of the recession, and during that time and even more recently CDC has been providing business advising services to *Ciro* to achieve a more positive financial picture for his company.

For the study, NALCAB drew on quantitative data from federal, state and local government agencies as well as university and public think tanks. NALCAB also interviewed lending experts from national and regional banks, government entities and non-profit financial lenders.

The key obstacles and observations noted in the study included:

- The majority of Latinos rely on personal savings as their main source of capital, followed by credit cards and personal loans from friends (aka “bootstrapping”).
- Most banks are reluctant to offer loans less than \$250,000, the level of capital critical to many Latino entrepreneurs to jump-start and/or grow their small businesses.
- Lower credit scores among Latino business owners continue to be a hurdle. Banks typically seek FICO scores of at least 720.

• Targeted Latino outreach is limited among traditional lenders. Most community banks with assets below \$10 billion are not targeting Latino small businesses in any manner. CDFIs are doing a fair job providing SBA Community Advantage (7a) loans up to \$250K and less.

Bankers interviewed for the study said that common obstacles to providing fi-

nancing to Latino entrepreneurs include incomplete business records and inadequate documentation — undesired consequences of the cash-based nature of their businesses.

“It’s been a catch-22 for Latinos,” said NALCAB Executive Director Noel Poyo. “With lower credit scores, it’s very difficult to qualify for the larger loans they need to grow their businesses. In many cases, they turn to quick, online lenders with egregious payback terms. It’s not a sustainable scenario.”

The study offers the following key recommendations to enhance access to capital for Latino small business owners:

1. Strengthen mission-driven lenders that provide culturally-relevant products and services to Latinos. Banks can help strengthen CDFIs and other lenders by designating funds for Latino communities in order to meet bank Community Reinvestment Act (CRA) obligations. A standardized referral system should be developed that enables traditional financial institutions to guide Latino entrepreneurs to CDFIs and other mission-based lenders rather than simply rejecting an application for credit. CDFIs are reliable conduits to SBA loans, a critical source of capital for small businesses.

2. Provide Technical Support to Potential Borrowers. Rather than using rigid credit guidelines, flexible eligibility criteria should address the unique credit, collateral and cash flow situation of Latino entrepreneurs. Banks and other lending institutions should also work with community partners to provide Latino entrepreneurs guidance while applying for loans and other business assistance after the loan has funded. Credit coaching and business mentoring is important for both start-up and existing Latino small businesses.

3. Coordinate Engagement of Latino-serving Institutions. Bringing disparate organizations together in coordinated efforts to address deficiencies in the development of Latino businesses is vital. Engagement with municipal economic development departments, chambers of commerce, lenders and political leaders across community and ethnic boundaries will embed Latino entrepreneurs in the broader social and business establishment.

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Sip Back and Relax at Koi Zen Cellars By Randi Crawford

I love my job! Today I had the pleasure of interviewing Lisa Miller, the co-founder of Koi Zen Cellars, an urban winery in Carmel Mountain Ranch. Lisa and her husband, Darius, founded Koi Zen Cellars and officially opened doors to their tasting room in 2015. Here is “taste” of our conversation:

Why did you open a wine cellar?

We have always been into wine and said that we would retire in the wine industry. In 2012, life threw us a bunch of curveballs that we were not expecting — including a layoff from corporate America, and a serious illness. My husband decided that it was high time we start doing something that we love. Urban wineries were taking off in San Diego, so we decided to give it a shot.

What is an urban winery?

An urban winery is a winery that doesn't have land — it's in an urban setting and that's where we produce the wine.

How did you know how to get started?

You get connected in the industry by attending trade shows, meeting vineyard managers and basically networking.

How do you make wine?

We Purchase grapes from all over California. When the sugar content gets where we want it, the grapes are picked and we send bins to the field and then they come back here. When they arrive, they get destemmed and then fermentation starts. You add yeast, which will eat the sugar in the



Darius Miller at Koi Zen Cellars.

fruit — that takes from one to two weeks. When the sugar is gone, it's converted to alcohol, and then you have wine. Grapes need to be tended like a baby. You have to watch them, stir them, and take their temperature.

Zen place. Fast forward to the unanticipated curveballs and the fact that stress almost killed my husband, we realized that people need to slow down and de-stress. We decided to create a place where people didn't have to drive too far,

Grapes need to be tended like a baby. You have to watch them, stir them, and take their temperature – LISA AND DARIUS

How did you name your wine?

We live in Rancho Penasquitos and have been here for 20 years. We had a little Koi pond in the back yard. The raccoons were eating our fish, at the same time that my husband was stressed out at work. He decided to dig a deep pond that the raccoons couldn't get to — and now we have a large Koi pond in our backyard where we sit and have coffee in the morning and wine in the evening. It's our

they could enjoy nice wine and re-connect with people. Our motto is “Uncork, sip back, relax.” Thus, the name, Koi Zen Cellars.

What wines do you sell?

We are pretty traditional, although my husband will put a twist on anything he makes. We have a Pinot Gris, Sauvignon Blanc, White Zinfandel, Chardonnay, Malbec, Pinot Noir, Cabernet Sauvignon, Mourvede, Petit Syrah and a Merlot. We do small batches, so when that is gone, it's gone.

Where do you sell your wine?

Mostly at the winery.

Who are your customers?

Mainly community members but a lot more visitors are coming in.

What classes do you offer?

We have an intro to wine class, a wine blending class where you make your own blend, tasting classes, plus we have area experts who love to teach classes that we tie in with the wine, including plants and wine, painting and wine — we try to make it fun.

What if you don't know about wine?

Wine is like art, it's very subjective, emotions and memories are tied into it. There's no right or wrong with how you feel and what you like. A wine maker might say certain wines have hints of this and that, but that's just one person's opinion.

What's been your favorite part?

The people we've met over the past couple of years. They are so nice and it's fun to see the connections that have been made there. We've created a lot of new friendships.

What's been the biggest challenge?

Getting the word out.

I'm officially getting the word out. Koi Zen Cellars located at 12225 World Trade Drive, San Diego. It was just voted San Diego's Best Local Winery. Go see for yourself.



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