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Chenega Corporation Responds to False Allegations

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Chenega Corporation categorically rejects the claims made in a video circulated by James O’Keefe and his organization. The video relies on selectively edited recordings that distort informal conversations and falsely suggest misconduct. O’Keefe continues to propagate three untruths: that Native federal contracting is supposed to be a Native employment program; that only small percentages of contract revenues actually make it to the Native people who are supposed to benefit; and that Native companies are acting as conduits for other non-Native companies to obtain federal work.

First is his claim that Alaska Natives don’t do the work and therefore the program is some sort of scam. This assumes the goal is to employ Alaska Natives in federal contracting, which it is not. Alaska Native Corporations (ANCs) are included in the 8(a) Business Development Program to establish companies that create value for Alaska Native shareholders and communities. This is done by building Alaska Native–owned companies that employ people who can deliver cost-competitive, valuable services to the federal government.

The right to participate in the SBA business development program is part of the value Alaska Natives received in compensation for giving up their lands to the State of Alaska and the federal government. Those lands included the oil-rich Prudhoe Bay and the land under the Trans-Alaska Pipeline, assets that have created more than a trillion dollars in value. Federal assistance in creating successful Native-owned and controlled corporations that bring value to individual Alaska Natives is part of the compensation for those lands.

Second, the report conflates total contract value with the benefits received by Alaska Native people. O’Keefe claims that “for every \$100 ... only \$7 actually goes to the Native American,” citing \$100 million and \$1 billion contracts to sensationalize his point. This is misleading because it treats the total value of a federal contract as if it were all profit that should be distributed to Alaska Native beneficiaries. In reality, the vast majority of a contract’s value covers the costs of performing the work required by the federal government including wages, subcontractors, materials, and other necessary expenses.

It is typical in federal contracting for only a small percentage of total contract value to become profit to the owner. Equating contract value with direct benefit to Alaska Native shareholders creates a fundamentally misleading impression about how federal contracting works. For Chenega Corporation, 100 percent of our profits, a modest portion of total contract value, are reinvested to support the cultural, educational, economic, and social welfare of our Alaska Native shareholders. This is consistent with the purpose for which ANCs were created, while ensuring the government receives cost-effective, high-quality services.

Third is O'Keefe's claim that "pass-through" contracting is common and that Chenega is guilty of it. Both are untrue. As an ANC, we do not see our peers violating SBA subcontracting rules requiring that at least 51 percent of the contract work be completed by the Alaska Native-owned prime contractor. At Chenega Corporation, our companies perform 100 percent of the work on many contracts. Where we do subcontract, it is generally because the government has asked us to bring in particular expertise. There is no scam here. The "pass-through" allegation is a myth.

For decades, Chenega has supported federal agencies with professionalism and integrity. We provide mission-critical services in national defense, security, and government operations. Our contracts, operations, and workforce practices fully comply with all laws and regulations. We employ the best experts in their fields and, in fact, more than 22 percent of our employees are veterans. Our successful business operations generate scholarships, dividends, and long-term investments that directly benefit Alaska Native shareholders and their communities.

Alaska Native people relinquished their land claims in return for the promise of creating ANCs with the ability and resources to advance the real economic and social needs of Alaska Native people. Federal government contracting has proven to be an excellent and the most effective tool for supporting ANCs. Take away the ability to contract under the current rules, and the deal begins to fall apart. Are we going to get our land back?

A deal is a deal, except, too often, when it involves Native Americans. History tells us that whenever Native Americans receive something that turns out to be valuable or achieve some level of success, someone wants to take it away. Let's not repeat history here.