

BLUE CHIP VALUE FUND INC
Form N-CSR
March 07, 2011

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM N-CSR

**CERTIFIED SHAREHOLDER REPORT OF REGISTERED
MANAGEMENT INVESTMENT COMPANIES**

Investment Company Act file number: 811-5003

Blue Chip Value Fund, Inc.

(Exact name of registrant as specified in charter)

1225 17th Street, 26th Floor, Denver, Colorado 80202

(Address of principal executive offices) (Zip code)

Michael P. Malloy
Drinker Biddle & Reath LLP

One Logan Square

Suite 2000

Philadelphia, Pennsylvania 19103-6996

(Name and address of agent for service)

Registrant's Telephone Number, including Area Code: (800) 624-4190

Date of fiscal year end: December 31

Date of reporting period: January 1, 2010 - December 31, 2010

Item 1 - Reports to Stockholders

**Annual Report
to Stockholders**

December 31, 2010

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INVESTMENT ADVISER'S COMMENTARY

Dear Fellow Stockholders:

February 8, 2011

Our research-driven disciplined investment process focuses on companies that seek to generate high levels of free cash flow, high returns on capital and lower volatility. Last year we had expected that the market would begin to reward these types of companies in the second year of a recovery. Unfortunately, in 2010 the Fund's portfolio NAV return of 2.34% continued to meaningfully lag the S&P 500 Index return of 15.06%.

Turning to the portfolio, Union Pacific, a railroad operator, within the transportation sector was one of the Fund's top performers during the year. Increased rail volume during the year led to substantial operating leverage and increased profit margins. Our research indicates that Union Pacific should continue to realize further operating efficiencies and continued growth in its free cash flow. Union Pacific's performance helped contribute to the transportation sector's outperformance.

The Fund's best performing stock was Macy's department store. The company continued its turnaround with improved same store sales and accelerated cash flows. Management also sought to strengthen the balance sheet by paying down debt. Late in the year we reduced the Fund's position as the stock approached our price target. Led by Macy's, the consumer cyclical sector was among the Fund's top performing sectors.

Bank of America was among the Fund's worst performing stocks during 2010. We believe that credit and economic activity are continuing to slowly recover. However, the combination of worse than expected impact from financial regulatory reform and growing concerns about the impact of poor mortgage origination practices overwhelmed these fundamentals. Prior to year-end, we sold the stock given the uncertain time frame for company management to bring resolution to these issues. Other Fund holdings within the interest rate sensitive sector performed better, leading to it being among the Fund's top performing sectors.

Communications sector holding Cisco, a designer and manufacturer of Internet protocol-based networking and other communications products, delivered a disappointing earnings report and reduced expectations for demand. This guidance put downward pricing pressure on the stock, causing it to be one of the worst performing stocks in the portfolio.

We continue to focus on adapting to what remains a very difficult investing environment, though one that we believe contains significant investment opportunity. Amidst high levels of government intervention, from Federal Reserve policies to the implementation of healthcare and financial reform, job growth remains difficult to achieve.

As always, we continue to spend considerable effort evaluating our investment approach looking for ways to improve upon our processes. We expect that our focus on companies with strong fundamentals that are undervalued by the market will be rewarded in 2011.

As you may know, stockholders have approved the reorganization of your Fund into Westcore Blue Chip Fund. We anticipate the conversion date of your account to be approximately March 28, 2011. Confirmation of your shares of Westcore Blue Chip Fund will be mailed in a timely manner following the conversion. If you have any questions, or would like to know more about the many investment options that will be available to you as a Westcore Funds shareholder, please call toll-free (800) 392-2673 or visit www.westcore.com.

Sincerely,

Todger Anderson, CFA
President, Blue Chip Value Fund, Inc.
Chairman, Denver Investment Advisors LLC

The Investment Adviser's Commentary included in this report contains certain forward-looking statements about the factors that may affect the performance of the Fund in the future. These statements are based on Fund management's predictions and expectations concerning certain future events and their expected impact on the Fund, such as performance of the economy as a whole and of specific industry sectors, changes in the levels of interest rates, the impact of developing world events, and other factors that may influence the future performance of the Fund. Management believes these forward-looking statements to be reasonable, although they are inherently uncertain and difficult to predict. Actual events may cause adjustments in portfolio management strategies from those currently expected to be employed.

**Sector Diversification in Comparison to
S&P 500 as of December 31, 2010***

	Fund	S&P 500
Basic Materials	9.2%	3.8%
Capital Goods	4.4%	8.4%
Commercial Services	5.3%	2.2%
Communications	4.4%	7.3%
Consumer Cyclical	8.8%	11.8%
Consumer Staples	10.5%	9.5%
Energy	11.0%	11.9%
Interest Rate Sensitive	12.4%	15.0%
Medical/Healthcare	10.8%	10.5%
REITs	0.0%	1.4%
Technology	11.4%	12.7%
Transportation	4.7%	2.0%
Utilities	5.9%	3.5%
Short-Term Investments	1.2%	0.0%

*Sector diversification percentages are based on the Fund's total investments at market value.

Sector diversification is subject to change and may not be representative of future investments.

**Average Annual Total Returns
as of December 31, 2010**

Return	3 Mos.	1-Year	3-Year	5-Year	10-Year
Blue Chip Value Fund □ NAV	7.19%	2.34%	(5.92%)	(0.60%)	1.35%
Blue Chip Value Fund □ Market Price	13.64%	18.33%	(6.09%)	(3.49%)	1.63%
S&P 500 Index	10.76%	15.06%	(2.85%)	2.29%	1.41%

Past performance is no guarantee of future results. Share prices will fluctuate, so that a share may be worth more or less than its original cost when sold. Total investment return is calculated assuming a purchase of common stock on the opening of the first day and a sale on the closing of the last day of each period reported. Dividends and distributions, if any, are assumed for purposes of this calculation to be reinvested at prices obtained under the Fund's dividend reinvestment plan. Rights offerings, if any, are assumed for purposes of this calculation to be fully subscribed under the terms of the rights offering. Please note that the Fund's total return shown above does not reflect the deduction of taxes that a stockholder would pay on Fund distributions or the cost of sale of Fund shares. Current performance may be higher or lower than the total return shown above. Please visit our website at www.blu.com to obtain the most recent month end returns. Generally, total investment return based on net asset value will be higher than total investment return based on market value in periods where there is an increase in the discount or a decrease in the premium of the market value to the net asset value from the beginning to the end of such periods. Conversely, total investment return based on the net asset value will be lower than total investment return based on market value in periods where there is a decrease in the discount or an increase in the premium of the market value to the net asset value from the beginning to the end of such periods. The Fund's gross expense ratio for the twelve months ended December 31, 2010 was 1.41%

**Comparison of Change in Value of \$10,000 Investment in
Blue Chip Value Fund versus the S&P 500 Index**

This chart compares the change in market price and net asset value of an investment of \$10,000 in the Fund since January 1, 2001, compared to the S&P 500 Index. The comparison assumes the reinvestment of all distributions and full participation in any [rights offerings] during the period.

Please Note: Performance calculations are as of the end of December each year and the current period end. Past performance is not indicative of future results. This chart assumes an investment of \$10,000 on 1/1/2001. This chart does not reflect the deduction of taxes that a shareholder would pay on Fund distributions or the redemption of Fund shares.

S&P 500 Index is a broad-based measurement of changes in stock market conditions based on the average performance of 500 widely held common stocks. It is an unmanaged index.

Please see Average Annual Total Return information and disclosures on page 4.

**History of Market Price and Net Asset Value
January 1, 2001 through December 31, 2010**

This chart shows the change in the Fund's market price and net asset value on a per share basis since January 1, 2001, along with the annual distribution totals.

Please Note: line graph points are as of the end of each calendar quarter.

Past performance is no guarantee of future results. Share prices will fluctuate, so that a share may be worth more or less than its original cost when sold.

1Reflects the actual market price of one share as it has traded on the NYSE.

2Reflects the actual NAV of one share.

3The graph above includes the distribution totals on a book basis since January 1, 2001, which equal \$4.6078 per share. The NAV per share is reduced by the amount of the distribution on the ex-dividend date. The sources of these distributions are depicted in the chart on the next page.

⁴Rounded.

Historical Sources of Distributions
January 1, 2001 through December 31, 2010

Year	Net Investment Income	Capital Gains	Return of Capital	Total Amount of Distribution (Tax Basis)	Total Amount of Distribution (Book Basis)
2001	\$0.041200	\$0.362500	\$0.336300	\$0.740000	\$0.740000
2002	\$0.035100	\$0.000000	\$0.524900	\$0.560000	\$0.560000
2003	\$0.013600	\$0.000000	\$0.496400	\$0.510000	\$0.510000
2004	\$0.028300	\$0.531700	\$0.000000	\$0.560000	\$0.560000
2005	\$0.015000	\$0.112800	\$0.442200	\$0.570000	\$0.570000
2006	\$0.018200	\$0.126000	\$0.435800	\$0.580000	\$0.580000
2007	\$0.014600	\$0.211800	\$0.213600	\$0.440000	\$0.580000
2008	\$0.018000	\$0.007300	\$0.464700	\$0.490000	\$0.420000
2009	\$0.016294	\$0.000000	\$0.123706	\$0.140000	\$0.070000
2010	\$0.017800	\$0.000000	\$0.000000	\$0.017800	\$0.017800
Totals	\$0.218094	\$1.352100	\$3.037606	\$4.607800	\$4.607800
% of Total Distribution	4.73%	29.35%	65.92%	100%	

DIVIDEND REINVESTMENT AND CASH PURCHASE PLAN

On February 8, 2011 the Fund's Board of Directors terminated the Fund's Dividend Reinvestment and Cash Purchase Plan (the "Plan") effective March 10, 2011.

The final dividend or capital gains distribution, if any, declared and paid immediately prior to the closing of the reorganization will be paid entirely in cash, even to those shareholders who participated in the Plan.

Effective March 10, 2011 participating stockholders are no longer permitted to make additional cash investments to acquire additional shares of the Fund.

Until March 10, 2011 you may request the Plan Administrator to sell all or a portion of your shares. When your shares are sold, you will receive the proceeds less a service charge of \$15.00 and trading fees of \$0.02 per share. The Plan Administrator will generally sell your shares on the day your request is received in good order, however the Plan Administrator reserves the right to take up to 5 business days to sell your shares. Shares will be aggregated by the Plan Administrator with the shares of other participants selling their shares that day and sold on the open market. A participant will receive the weighted average price minus trading fees and service charges of all liquidated shares sold by the Plan Administrator on the transaction date.

Additional information about the Plan may be obtained from the Plan Administrator by writing to BNY Mellon Shareowner Services, 480 Washington Blvd., Jersey City, NJ 07310, by telephone at (800) 624-4190 (option #1) or by visiting the Plan Administrator at www.bnymellon.com/shareowner.

OTHER IMPORTANT INFORMATION

How to Obtain a Copy of the Fund's Proxy Voting Policies and Records

A description of the policies and procedures that are used by the Fund's investment adviser to vote proxies relating to the Fund's portfolio securities is available (1) without charge, upon request, by calling (800) 624-4190; (2) on the Fund's website at www.blu.com and (3) on the Fund's Form N-CSR which is available on the U.S. Securities and Exchange Commission ("SEC") website at www.sec.gov.

Information regarding how the Fund's investment adviser voted proxies relating to the Fund's portfolio securities during the most recent 12-month period ended June 30 is available, (1) without charge, upon request by calling (800) 624-4190; (2) on the Fund's website at www.blu.com and (3) on the SEC website at www.sec.gov.

Quarterly Portfolio Holdings

The Fund files its complete schedule of portfolio holdings with the SEC for the first and third quarters of each fiscal year on Form N-Q. The Fund's Forms N-Q are available on the SEC's website at www.sec.gov and may be reviewed and copied at the SEC's Public Reference Room in Washington, D.C. Information on the operation of the SEC's Public Reference Room may be obtained by calling 1-800-SEC-0330. In addition, the Fund's complete schedule of portfolio holdings for the first and third quarters of each fiscal year is available on the Fund's website at www.blu.com.

PORTFOLIO MANAGEMENT TEAM OF BLUE CHIP VALUE FUND

Kris Herrick, CFA, Partner, Director of Value Research and Portfolio Manager, joined Denver Investments in 2000. Prior to joining the firm, he was an Equity Research Analyst with Jurika and Voyles (since 1997). He has 14 years total investment experience and has been a member of the Fund's portfolio management team since December 1, 2003.

Mark Adelman, CFA, CPA, Partner and Portfolio Manager/Analyst, joined Denver Investments in 1995. He has 32 years total investment experience and has been the Fund's portfolio manager since June 3, 2002.

Derek Anguilm, Partner and Portfolio Manager/Analyst, joined Denver Investments in 2000. Prior to joining the firm he was with EVEREN Securities (since 1999). He has 12 years total investment experience and has been a member of the Fund's portfolio management team since December 1, 2003.

Troy Dayton, CFA, Partner and Portfolio Manager/Analyst, joined Denver Investments in 2002. Prior to joining the firm, he was an Equity Research Analyst with Jurika and Voyles (since 2001) and Dresdner RCM Global Investors (since 1998). He has 15 years total investment experience and has been a member of the Fund's portfolio management team since December 1, 2003.

Lisa Ramirez, CFA, Partner and Portfolio Manager/Analyst, joined Denver Investments as a portfolio administrator in 1993. She became an analyst on the Mid-Cap Growth team in 1997 and joined the Value team in 2005. She has 18 years total investment experience and joined the Fund's portfolio management team on April 30, 2009.

INFORMATION ON THE DIRECTORS AND OFFICERS OF THE FUND

The list below provides certain information about the identity and business experience of the directors and officers of the Fund.

INTERESTED DIRECTORS*

TODGER ANDERSON, CFA1

Age: 66

Position(s) Held with the Fund:

President and Director

Term of Office² and Length of Time Served:

President since 1987. Director from 1988 to 1995 and since 1998. Term as Director expires in 2013.

Principal Occupations During the Past Five Years:

Chairman, Denver Investment Advisors LLC (since 2004); President, Westcore Trust (since 2005);
President, Denver Investment Advisors LLC and predecessor organizations (1983-2004);
Portfolio Manager, Westcore MIDCO Growth Fund (1986-2005);
Portfolio Co-Manager, Westcore Select Fund (2001-2005).

Number of Portfolios in Fund Complex³ Overseen by Director: One

Other Directorships⁴ Held by Director: None

KENNETH V. PENLAND, CFA1

Age: 68

Position(s) Held with the Fund:

Chairman of the Board and Director

Term of Office² and Length of Time Served:

Chairman of the Board and Director since 1987. Term as Director expires in 2012.

Principal Occupations During the Past Five Years:

Chairman, Denver Investment Advisors LLC and predecessor organizations (1983-2001);
President, Westcore Trust (1995-2001)
Trustee, Westcore Trust (2001-2005).

Number of Portfolios in Fund Complex³ Overseen by Director: One

Other Directorships⁴ Held by Director: None

INDEPENDENT DIRECTORS

RICHARD C. SCHULTE¹

Age: 66

Position(s) Held with the Fund:

Director

Term of Office² and Length of Time Served:

Director since 1987. Term expires in 2011.

Principal Occupations During the Past Five Years:

Private Investor;

President, Transportation Service Systems, Inc., a subsidiary of Southern Pacific Lines, Denver, Colorado (1993-1996);

Employee, Rio Grande Industries, Denver, Colorado (holding company) (1991-1993).

Number of Portfolios in Fund Complex³ Overseen by Director: One

Other Directorships⁴ Held by Director: None

ROBERTA M. WILSON, CFA¹

Age: 67

Position(s) Held with the Fund:

Director

Term of Office² and Length of Time Served:

Director since 1987. Term expires in 2012.

Principal Occupations During the Past Five Years:

Management consultant and coach (since 1998);

Director of Finance, Denver Board of Water Commissioners (Retired), Denver, Colorado (1985-1998).

Number of Portfolios in Fund Complex³ Overseen by Director: One

Other Directorships⁴ Held by Director: None

LEE W. MATHER, JR.¹

Age: 67

Position(s) Held with the Fund:

Director

Term of Office² and Length of Time Served:

Director since 2001. Term expires in 2011.

Principal Occupations During the Past Five Years:

Director, American Rivers (conservation organization) (2000-2006);

Investment Banker, Merrill Lynch & Co. (1977-2000).

Number of Portfolios in Fund Complex³ Overseen by Director: One

Other Directorships⁴ Held by Director: None

1-800-624-4190 □ www.blu.com

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OFFICERS

MARK M. ADELMANN, CFA, CPA

Age: 53

1225 Seventeenth St.
26th Floor
Denver, Colorado 80202

Position(s) Held with the Fund:

Vice President

Term of Office² and Length of Time Served:

Vice President since 2002.

Principal Occupations During the Past Five Years:

Vice President (since 2000) and member (since 2001), Denver Investment Advisors LLC;
Research Analyst, Denver Investment Advisors LLC (since 1995);
Portfolio management team member, Westcore Trust (since 2002).

NANCY P. O'HARA

Age: 52

One Logan Square
Suite 2000
Philadelphia, PA 19103

Position(s) Held with the Fund:

Secretary

Term of Office² and Length of Time Served:

Secretary since 2007.

Principal Occupations During the Past Five Years:

Counsel (since 2009) and Associate (1999-2009) of the law firm of Drinker Biddle & Reath LLP, Philadelphia, PA.

JASPER R. FRONTZ, CPA, CFA⁵

Age: 42

1225 Seventeenth St.
26th Floor
Denver, Colorado 80202

Position(s) Held with the Fund:

Treasurer, Chief Compliance Officer

Term of Office² and Length of Time Served:

Treasurer since 1997, Chief Compliance Officer since 2004.

Principal Occupations During the Past Five Years:

Vice President, Denver Investment Advisors LLC (since 2000);
Director of Mutual Fund Administration, Denver Investment Advisors LLC (since 1997);
Fund Controller, ALPS Mutual Fund Services, Inc. (1995-1997);
Registered Representative, ALPS Distributors, Inc. (since 1995).

NOTES

- * These directors each may be deemed to be an "interested director" of the Fund within the meaning of the Investment Company Act of 1940 by virtue of their affiliations with the Fund's investment adviser and their positions as officers of the Fund.
- 1. Each director may be contacted by writing to the director, c/o Blue Chip Value Fund, Inc., 1225 Seventeenth Street, 26th Floor, Denver, Colorado 80202, Attn: Jasper Frontz.
- 2. The Fund's By-Laws provide that the Board of Directors shall consist of three classes of members. Directors are chosen for a term of three years, and the term of one class of directors expires each year. The officers of the Fund are elected by the Board of Directors and, subject to earlier termination of office, each officer holds office for one year and until his or her successor is elected and qualified.
- 3. The Fund complex is comprised of sixteen portfolios, the Fund, twelve Westcore Funds, the Dunham Small-Cap Value Fund, the Columbia Variable Portfolio-Partners Small-Cap Value Fund and the Northern Trust Multi-Manager Small Cap Fund.
- 4. Includes only directorships of companies required to report to the Securities and Exchange Commission under the Securities Exchange Act of 1934 (i.e., "public companies") or other investment companies registered under the Investment Company Act of 1940.
- 5. Mr. Frontz also serves as Treasurer and Chief Compliance Officer of Westcore Trust.

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Shareholders and Board of Directors of Blue Chip Value Fund, Inc.:

We have audited the accompanying statement of assets and liabilities of Blue Chip Value Fund, Inc. (the "Fund"), including the statement of investments, as of December 31, 2010, and the related statements of operations and cash flows for the year then ended, the statements of changes in net assets for each of the two years in the period then ended, and the financial highlights for each of the five years in the period then ended. These financial statements and financial highlights are the responsibility of the Fund's management. Our responsibility is to express an opinion on these financial statements and financial highlights based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements and financial highlights are free of material misstatement. The Fund is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. Our audits included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Fund's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. Our procedures included confirmation of securities owned as of December 31, 2010, by correspondence with the custodian. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements and financial highlights referred to above present fairly, in all material respects, the financial position of Blue Chip Value Fund, Inc. as of December 31, 2010, the results of its operations and its cash flows for the year then ended, the changes in its net assets for each of the two years in the period then ended, and the financial highlights for each of the five years in the period then ended, in conformity with accounting principles generally accepted in the United States of America.

DELOITTE & TOUCHE LLP
Denver, Colorado
February 15, 2011

BLUE CHIP VALUE FUND, INC.

STATEMENT OF INVESTMENTS

December 31, 2010

	Shares	Cost	Market Value
COMMON STOCKS □			
99.29%			
BASIC MATERIALS □			
9.23%			
Chemicals □ 1.42%			
Ecolab Inc.	30,800	\$ 1,466,404	\$ 1,552,936
Forestry & Paper □ 4.32%			
Ball Corp.	33,140	1,730,853	2,255,177
International Paper Co.	90,400	2,080,645	2,462,496
		3,811,498	4,717,673
Non-Ferrous Metals □			
2.24%			
Freeport-McMoRan Copper & Gold Inc.	20,300	2,164,790	2,437,827
Specialty Chemicals □			
1.25%			
Agrium Inc. (Canada)	14,800	996,989	1,357,900
TOTAL BASIC MATERIALS		8,439,681	10,066,336
CAPITAL GOODS □ 4.48%			
Aerospace & Defense □			
2.50%			
General Dynamics Corp.	20,000	1,308,297	1,419,200
Raytheon Co.	28,200	1,332,958	1,306,788
		2,641,255	2,725,988
Industrial Products □			
1.98%			
ITT Corp.	41,500	2,262,638	2,162,565
TOTAL CAPITAL GOODS		4,903,893	4,888,553
COMMERCIAL SERVICES □ 5.40%			
Business Products & Services □ 2.86%			
Quanta Services Inc.**	102,800	3,142,231	2,047,776
Xerox Corp.	92,700	1,065,376	1,067,904
		4,207,607	3,115,680
IT Services □ 1.28%			
Computer Sciences Corp.	28,250	1,480,036	1,401,200
Transaction Processing □			
1.26%			
The Western Union Co.	73,700	1,209,116	1,368,609

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TOTAL COMMERCIAL SERVICES		6,896,759	5,885,489
COMMUNICATIONS □			
4.47%			
Networking □			
1.01%			
Cisco Systems Inc.**	54,100	1,270,414	1,094,443
Telecomm Equipment & Solutions □			
3.46%			
QUALCOMM Inc.	38,600	1,743,269	1,910,314