

BLUE CHIP VALUE FUND INC  
Form N-CSR  
March 09, 2006

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 17<sup>th</sup> Street, 26<sup>th</sup> Floor, Denver, Colorado 80202  
(Address of principal executive offices) (Zip code)

Michael P. Malloy  
Drinker Biddle & Reath LLP  
One Logan Square  
18<sup>th</sup> & Cherry Streets  
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: December 31, 2005

---

**Item 1 - Reports to Stockholders**

The following is a copy of the report to shareholders pursuant to Rule 30e-1 under the Investment Company Act of 1940 (17 CFR 270.30e-1).

**Annual Report  
to Stockholders**

**December 31, 2005**

*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.*

---

**INVESTMENT ADVISER'S COMMENTARY**

Dear Fellow Stockholders:

The Blue Chip Value Fund experienced another solid year in 2005. The Fund's net asset value total return was 7.09%, exceeding the return of the S&P 500 by 2.21%. This marks the fifth time in the last six years that the Fund's net asset value performance has exceeded the return of the S&P 500.

Turnover in the portfolio remained fairly low, with a turnover rate of 40.96%. During the fourth quarter several trades were again made to optimize the tax treatment of the quarterly distributions. Despite the 7.09% increase in net asset value for the year, approximately 22.4% of the distribution (which is managed to equal roughly 10% of the net asset value) will be taxed and the remaining 77.6% will be treated as a non-taxable return of capital.

The Fund continued to utilize leverage in accordance with its investment policies. The use of leverage averaged 7.31% of Fund assets, and increased the return of the Fund for the year by approximately 0.64%. Over the two years of using leverage, returns have been increased by a total of approximately 1.14%

During the past year, the majority of the Fund's out performance came from healthcare and energy stocks. Within healthcare, Teva Pharmaceutical Industries Ltd, (a generic drug company) produced returns in excess of 40% as the growing demand for generic alternatives to major drugs, in our opinion, continues driving its increased cash flow. In addition, our significant holding in Pacificare Health Systems (a managed care company) continued to perform well on the strength of growing cash flow. Early in the third quarter, in recognition of this growth, United Healthcare (another managed care company) acquired Pacificare. Energy stocks in the S&P 500 performed well during the year, rising 31% partly due to strong earnings from rising oil and gas prices. Our holdings in this sector on average increased 59%, led by Marathon Oil and Transocean Inc. Marathon has significant refining and transportation assets that are earning good returns. Excess capital generated by these operations are being redeployed into significant oil holdings internationally which, we believe, provide long-term value creation opportunities. Cash flow from these developments is growing. Transocean continues to profit from the high day rates for their deepwater rigs. Utilization demand combined with very high rates for these rigs tends to produce very strong cash flows.

Edgar Filing: BLUE CHIP VALUE FUND INC - Form N-CSR

A portion of the Fund's out performance was reduced by weaker than expected stock performance in our technology and consumer staples holdings. Verisign, an internet commerce enabler, continued to produce the growth and profitability we expected in their overall business. However, we believe the market was unwilling to give them credit for the improvement, choosing instead to punish the stock for falling short in the mobile content portion of the business. We remain positive on Verisign's prospects overall, as well as for the value of its mobile content business. Our holding in Kraft Foods under performed as fundamental weakness in its business persisted. In October we sold the holding for a tax loss, and await improved visibility on fundamentals before considering Kraft again for the portfolio.

As we enter 2006, we believe that the economy remains stable, the Federal Reserve is nearing the end of its cycle of raising interest rates, and corporate earnings outlooks, while stable, are growing at a slower pace than the past several years. We continue to hold and find stocks our research shows are attractively valued relative to their ability to grow free cash flow. In addition, market pundits increasingly view the large cap stocks as attractive relative to their smaller brethren. This combination of facts leaves us optimistic about investment returns in 2006 for the Blue Chip Value Fund.

Sincerely,

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

**Sector Diversification in Comparison to  
S&P 500 as of December 31, 2005\***

	<b>Fund</b>	<b>S&amp;P 500</b>
Basic Materials	0.0%	2.8%
Capital Goods	7.3%	9.0%
Commercial Services	3.8%	2.4%
Communications	2.5%	5.0%
Consumer Cyclical	14.2%	12.1%
Consumer Staples	3.9%	8.6%
Energy	12.7%	9.1%
Financials	20.5%	20.2%
Medical/Healthcare	16.8%	12.9%
REITs	0.0%	0.7%
Technology	14.9%	11.8%
Transportation	2.6%	1.8%
Utilities	0.0%	3.6%
Short-Term Investments	0.8%	-

\*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, 2005**

<b>Return</b>	<b>1-Year</b>	<b>3-Year</b>	<b>5-Year</b>	<b>10-Year</b>	<b>Inception</b>
Blue Chip Value Fund - NAV	7.09%	15.21%	3.34%	8.90%	8.56%
Blue Chip Value Fund - Market Price	3.68%	21.96%	7.02%	11.15%	9.16%
S&P 500 Index	4.88%	14.38%	0.54%	9.07%	10.60%

*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 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](http://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.*







**DIVIDEND REINVESTMENT AND  
CASH PURCHASE PLAN**

Blue Chip Value Fund, Inc.'s (the "Fund") Dividend Reinvestment and Cash Purchase Plan offers stockholders the opportunity to reinvest dividends and capital gain distributions in additional shares of the Fund. A stockholder may also make additional cash investments under the Plan. There is no service charge for participation.

Participating stockholders will receive additional shares issued at a price equal to the net asset value per share as of the close of the New York Stock Exchange on the record date ("Net Asset Value"), unless at such time the Net Asset Value is higher than the market price of the Fund's common stock, plus brokerage commission. In this case, the Fund will attempt, generally over the next 10 business days (the "Trading Period"), to acquire shares of the Fund's common stock in the open market at a price plus brokerage commission which is less than the Net Asset Value. In the event that prior to the time such acquisition is completed, the market price of such common stock plus commission equals or exceeds the Net Asset Value, or in the event that such market purchases are unable to be completed by the end of the Trading Period, then the balance of the distribution shall be completed by issuing additional shares at Net Asset Value.

Participating stockholders may also make additional cash investments (minimum \$50 and maximum \$10,000 per month) by check or money order (or by wire for a \$10 fee) to acquire additional shares of the Fund. Please note, however, that these additional shares will be purchased at market value plus brokerage commission (without regard to net asset value) per share.

A stockholder owning a minimum of 50 shares may join the Plan by sending an Enrollment Form to the Plan Agent at Mellon Investor Services, LLC, 480 Washington Blvd., Jersey City, NJ 07310.

The automatic reinvestment of dividends and distributions will not relieve participants of any income taxes that may be payable (or required to be withheld) on dividends or distributions, even though the stockholder does not receive the cash. Participants must own at least 50 shares at all times.

A stockholder may elect to withdraw from the Plan at any time on 15-days' prior written notice, and receive future dividends and distributions in cash. There is no penalty for withdrawal from the Plan and stockholders who have withdrawn from the Plan may rejoin in the future.

## Edgar Filing: BLUE CHIP VALUE FUND INC - Form N-CSR

The Fund may amend the Plan at any time upon 30-days prior notice to participants.

Additional information about the Plan may be obtained from Blue Chip Value Fund, Inc. by writing to 1225 17th Street, 26th Floor, Denver, CO 80202, by telephone at (800) 624-4190 or by visiting us at [www.blu.com](http://www.blu.com).

If your shares are registered with a broker, you may still be able to participate in the Fund's Dividend Reinvestment Plan. Please contact your broker about how to participate and to inquire if there are any fees which may be charged by the broker to your account.

### STOCKHOLDER DISTRIBUTION INFORMATION

Certain tax information regarding Blue Chip Value Fund, Inc. is required to be provided to stockholders based upon the Fund's income and distributions to the stockholders for the calendar year ended December 31, 2005.

The Board of Directors of Blue Chip Value Fund, Inc. voted to pay 2.5% of the Fund's net asset value on a quarterly basis in accordance with the Fund's distribution policy. The following table summarizes the final sources of such distributions:

	<b>Net Investment Income</b>	<b>Short-Term Capital Gain</b>	<b>Long-Term Capital Gain</b>	<b>Return of Capital</b>	<b>Total</b>
1st Quarter	\$ 0.0037	\$ 0.0059	\$ 0.0218	\$ 0.1086	\$ 0.14
2nd Quarter	\$ 0.0037	\$ 0.0059	\$ 0.0218	\$ 0.1086	\$ 0.14
3rd Quarter	\$ 0.0037	\$ 0.0059	\$ 0.0218	\$ 0.1086	\$ 0.14
4th Quarter	\$ 0.0039	\$ 0.0063	\$ 0.0234	\$ 0.1164	\$ 0.15
Total	<b>\$ 0.0150</b>	<b>\$ 0.0240</b>	<b>\$ 0.0888</b>	<b>\$ 0.4422</b>	<b>\$ 0.57</b>

The Fund notified stockholders by the end of January 2006 of amounts for use in preparing 2005 income tax returns.

100% of the distributions paid from net investment income and short-term capital gain qualify for the corporate dividends received deduction and meet the requirements of the tax rules regarding qualified dividend income. In addition, none of the distributions from net investment income include income derived from U.S. Treasury obligations. There were no assets invested in direct U.S. Government Obligations as of December 31, 2005.

**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](http://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](http://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](http://www.blu.com) and (3) on the SEC website at [www.sec.gov](http://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 <http://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](http://www.blu.com).

**SEND US YOUR E-MAIL ADDRESS**

If you would like to receive monthly portfolio composition and characteristic updates, press releases and financial reports electronically as soon as they are available, please send an e-mail to [blu@denveria.com](mailto:blu@denveria.com) and include your name and e-mail address. You will still receive paper copies of any required communications and reports in the mail. This service is completely voluntary and you can cancel at any time by contacting us via e-mail at [blu@denveria.com](mailto:blu@denveria.com) or toll-free at 1-800-624-4190.

**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. The Fund's Statement of Additional Information includes additional information about the Fund's directors, and may be obtained from the Fund free of charge by calling 1-800-624-4190.

***INTERESTED DIRECTORS\****

**TODGER ANDERSON, CFA1**

Age: 61

**Position(s) Held with the Fund:**

*President and Director*

**Term of Office<sup>2</sup> and Length of Time Served:**

President since 1987. Director from 1988 to 1995 and since 1998. Term as Director expires in 2007.

**Principal Occupations During the Past Five Years:**

Chairman, Denver Investment Advisors LLC (since 2004);

President, Westcore Funds (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 Complex<sup>3</sup>**

**Overseen by Director:** One

**Other Directorships<sup>4</sup> Held by Director:** Fischer Imaging Corporation

The Fund's President has certified to the New York Stock Exchange that, as of June 3, 2005, he was not aware of any violation by the Fund of the applicable NYSE Corporate Governance listing standards. In addition, the Fund has filed certifications of its principal executive officer and principal financial officer as exhibits to its reports on Form N-CSR filed with the Securities and Exchange Commission relating to the quality of the disclosures contained in such reports.

**KENNETH V. PENLAND, CFA1**

Age: 63

**Position(s) Held with the Fund:**

*Chairman of the Board and Director*

**Term of Office<sup>2</sup> and Length of Time Served:**

Chairman of the Board and Director since 1987. Term as Director expires in 2006.

**Principal Occupations During the Past Five Years:**

Chairman, Denver Investment Advisors LLC and predecessor organizations (1983-2001);

President, Westcore Funds (1995-2001)

Trustee, Westcore Funds (2001-2005).

**Number of Portfolios in Fund Complex<sup>3</sup>**

**Overseen by Director:** One

**Other Directorships<sup>4</sup> Held by Director:** None

***INDEPENDENT DIRECTORS***

**RICHARD C. SCHULTE1**

Age: 61

**Position(s) Held with the Fund:**

*Director*

**Term of Office<sup>2</sup> and Length of Time Served:**

Director since 1987. Term expires in 2008.

**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 Complex<sup>3</sup>**

**Overseen by Director:** One

**Other Directorships<sup>4</sup> Held by Director:** None

**ROBERTA M. WILSON, CFA1**

Age: 62

**Position(s) Held with the Fund:**

*Director*

**Term of Office<sup>2</sup> and Length of Time Served:**

Director since 1987. Term expires in 2006.

**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 Complex<sup>3</sup>**

**Overseen by Director:** One

**Other Directorships<sup>4</sup> Held by Director:** None

**LEE W. MATHER, JR.1**

Age: 62

**Position(s) Held with the Fund:**

*Director*

**Term of Office<sup>2</sup> and Length of Time Served:**

Director since 2001. Term expires in 2008.

**Principal Occupations During the Past Five Years:**

Director, American Rivers (conservation organization)

(since 2000);

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

**Number of Portfolios in Fund Complex<sup>3</sup>**

**Overseen by Director:** One

**Other Directorships<sup>4</sup> Held by Director:** None

**GARY P. MCDANIEL1**

Age: 60

**Position(s) Held with the Fund:**

*Director*

**Term of Office<sup>2</sup> and Length of Time Served:**

Director since 2001. Term expires in 2007.

**Principal Occupations During the Past Five Years:**

Senior Managing Director, BaseCamp Capital LLC (private equity investing) (since 2003);

Chief Executive Officer, Chateau Communities, Inc. (REIT/manufactured housing) (1997-2002).

**Number of Portfolios in Fund Complex<sup>3</sup>**

**Overseen by Director:** One

**Other Directorships<sup>4</sup> Held by Director:** None



**OFFICERS**

**MARK M. ADELMANN, CFA, CPA**

Age: 48

1225 Seventeenth St.

26th Floor

Denver, Colorado 80202

**Position(s) Held with the Fund:**

*Vice President*

**Term of Office<sup>2</sup> and Length of Time Served:**

Vice President since 2002.

**Principal Occupations During the Past Five Years:**

Vice President, Denver Investment Advisors LLC

(since 2000);

Research Analyst, Denver Investment Advisors LLC

(since 1995).

**JOAN OHLBAUM SWIRSKY**

Age: 48

One Logan Square

18th and Cherry Sts.

Philadelphia, PA 19103

**Position(s) Held with the Fund:**

*Secretary*

**Term of Office<sup>2</sup> and Length of Time Served:**

Secretary since 2004.

**Principal Occupations During the Past Five Years:**

Counsel to the law firm of Drinker Biddle & Reath LLP,

Philadelphia, PA.



**JASPER R. FRONTZ, CPA, CFA5**

Age: 37

1225 Seventeenth St.

26th Floor

Denver, Colorado 80202

**Position(s) Held with the Fund:**

*Treasurer, Chief Compliance Officer*

**Term of Office<sup>2</sup> 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 twelve portfolios, the Fund and eleven Westcore Funds.
  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 Funds.

**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, 2005, 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, 2005, by correspondence with the custodian and brokers. 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, 2005, 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 14, 2006

## BLUE CHIP VALUE FUND, INC.

## STATEMENT OF INVESTMENTS

December 31, 2005

	Shares	Cost	Market Value
<b>COMMON STOCKS - 110.76%</b>			
<b>CAPITAL GOODS - 8.15%</b>			
<b>Aerospace &amp; Defense - 3.36%</b>			
General Dynamics Corp.	25,100	\$ 2,571,768	\$ 2,862,655
Raytheon Co.	58,400	2,124,951	2,344,760
		4,696,719	5,207,415
<b>Electrical Equipment - 1.94%</b>			
General Electric Co.	85,800	3,079,360	3,007,290
<b>Industrial Products - 2.85%</b>			
Parker Hannifin Corp.	41,800	2,913,095	2,757,128
ITT Industries	16,300	1,654,968	1,675,966
		4,568,063	4,433,094
TOTAL CAPITAL GOODS		12,344,142	12,647,799
<b>COMMERCIAL SERVICES - 4.26%</b>			
<b>IT Services - 1.89%</b>			
Computer Sciences Corp.*	57,950	2,744,486	2,934,588
<b>Transaction Processing - 2.37%</b>			
First Data Corp.	85,600	3,429,205	3,681,656
TOTAL COMMERCIAL SERVICES		6,173,691	6,616,244
<b>COMMUNICATIONS - 2.78%</b>			
<b>Telecomm Equipment &amp; Solutions - 2.78%</b>			
Nokia Corp.	235,600	3,695,378	4,311,480
TOTAL COMMUNICATIONS		3,695,378	4,311,480
<b>CONSUMER CYCLICAL - 15.87%</b>			
<b>Clothing &amp; Accessories - 3.21%</b>			
TJX Companies Inc.	214,600	5,028,330	4,985,158
<b>General Merchandise - 4.39%</b>			
Target Corp.	123,900	6,246,461	6,810,783
<b>Hotels &amp; Gaming - 2.26%</b>			
Starwood Hotels & Resorts Worldwide Inc.	54,900	2,599,199	3,505,914
<b>Other Consumer Services - 0.92%</b>			
Cendant Corp.	82,600	1,794,543	1,424,850
<b>Publishing &amp; Media - 2.55%</b>			
Walt Disney Co.	165,100	4,163,934	3,957,447
<b>Restaurants - 2.54%</b>			
Darden Restaurants Inc.	101,500	2,623,106	3,946,320
TOTAL CONSUMER CYCLICAL		22,455,573	24,630,472

17



	Shares		Cost		Market Value
<b>CONSUMER STAPLES - 4.37%</b>					
<b>Food &amp; Agricultural Products - 2.07%</b>					
Bunge Ltd.	56,800	\$	2,508,977	\$	3,215,448
<b>Home Products - 2.30%</b>					
Colgate Palmolive Co.	65,100		3,664,481		3,570,735
TOTAL CONSUMER STAPLES			6,173,458		6,786,183
<b>ENERGY - 14.12%</b>					
<b>Exploration &amp; Production - 6.54%</b>					
Occidental					
Petroleum Corp.	67,200		3,963,962		5,367,936
XTO Energy Inc.	109,100		3,461,430		4,793,854
			7,425,392		10,161,790
<b>Integrated Oils - 4.38%</b>					
Marathon Oil Corp.	63,600		2,574,274		3,877,692
Suncor Energy Inc.	46,200		1,587,360		2,916,606
			4,161,634		6,794,298
<b>Oil Services - 3.20%</b>					
Transocean Inc.*	71,200		2,670,762		4,961,928
TOTAL ENERGY			14,257,788		21,918,016
<b>FINANCIALS - 22.83%</b>					
<b>Integrated Financial Services - 6.87%</b>					
American					
International Group	62,200		3,982,887		4,243,906
Citigroup Inc.	132,400		5,978,398		6,425,372
			9,961,285		10,669,278
<b>Regional Banks - 4.59%</b>					
Bank of America Corp.	58,500		2,750,100		2,699,775
US Bancorp	74,100		2,125,950		2,214,849
Wachovia Corp.	41,900		2,035,935		2,214,834
			6,911,985		7,129,458
<b>Securities &amp; Asset Management - 5.48%</b>					
Merrill Lynch &					
Company Inc.	69,500		3,857,924		4,707,235
Morgan Stanley & Co.	66,800		3,560,580		3,790,232
			7,418,504		8,497,467
<b>Specialty Finance - 3.77%</b>					
Countrywide					
Financial Corp.	91,900		3,199,067		3,142,061
Freddie Mac	41,500		2,648,746		2,712,025
			5,847,813		5,854,086
<b>Thriffs - 2.12%</b>					
Washington Mutual Inc.	75,500		2,999,670		3,284,250
TOTAL FINANCIALS			33,139,257		35,434,539
<b>MEDICAL - HEALTHCARE - 18.80%</b>					
<b>Medical Technology - 3.97%</b>					
Medtronic Inc.	58,100		2,935,738		3,344,817





Edgar Filing: BLUE CHIP VALUE FUND INC - Form N-CSR

	Shares		Cost		Market Value
Boston Scientific Co.*	115,500	\$	2,951,534	\$	2,828,595
			5,887,272		6,173,412
<b>Pharmaceuticals - 14.83%</b>					
Abbott Laboratories	131,000		5,545,540		5,165,330
Amgen Inc.*	63,300		3,699,769		4,991,838
Barr Pharmaceuticals Inc.*	50,300		2,367,900		3,133,187
Teva Pharmaceutical Industries Ltd.	186,200		5,098,237		8,008,462
Zimmer Holdings Inc.*	25,400		1,767,426		1,712,976
			18,478,872		23,011,793
TOTAL MEDICAL - HEALTHCARE			24,366,144		29,185,205
<b>TECHNOLOGY - 16.66%</b>					
<b>Computer Software - 9.53%</b>					
International Business Machines Corp.	46,100		3,686,467		3,789,420
Microsoft Corp.	273,400		8,047,855		7,149,410
Verisign Inc.*	175,800		4,308,310		3,853,536
			16,042,632		14,792,366
<b>PC's &amp; Servers - 2.35%</b>					
Dell*	121,500		3,834,268		3,643,785
<b>Semiconductors - 4.78%</b>					
Altera Corp.*	66,900		1,491,596		1,239,657
Intel Corp.	164,100		4,401,223		4,095,936
Maxim Integrated Products Inc.	57,600		2,214,780		2,087,424
			8,107,599		7,423,017
TOTAL TECHNOLOGY			27,984,499		25,859,168
<b>TRANSPORTATION - 2.92%</b>					
<b>Railroads - 2.92%</b>					
Norfolk Southern Corp.	101,000		3,598,366		4,527,830
TOTAL TRANSPORTATION			3,598,366		4,527,830
TOTAL COMMON STOCKS			154,188,296		171,916,936
<b>SHORT-TERM INVESTMENTS - 0.93%</b>					
Goldman Sachs Financial Square Prime Obligations Fund - FST Shares	1,442,190		1,442,190		1,442,190
TOTAL SHORT-TERM INVESTMENTS			1,442,190		1,442,190
<b>TOTAL INVESTMENTS</b>	111.69%	\$	155,630,486	\$	173,359,126
Liabilities in Excess of Other Assets	(11.69%)				(18,150,766)
NET ASSETS	100.00%			\$	155,208,360

\*Denotes non-income producing security.



## BLUE CHIP VALUE FUND, INC.

**STATEMENT OF ASSETS AND LIABILITIES**

December 31, 2005

## ASSETS

Investments at market value	\$	173,359,126
(identified cost \$155,630,486)		
Dividends receivable		189,889
Interest receivable		1,553
Other assets		13,642
<b>TOTAL ASSETS</b>		<b>173,564,210</b>

## LIABILITIES

Loan payable to bank (Note 4)		14,000,000
Interest due on loan payable to bank		48,660
Distributions payable		4,143,488
Advisory fee payable		78,162
Administration fee payable		9,649
Accrued Compliance Officer fees		5,167
Accrued expenses and other liabilities		70,724
<b>TOTAL LIABILITIES</b>		<b>18,355,850</b>
<b>NET ASSETS</b>	<b>\$</b>	<b>155,208,360</b>

## COMPOSITION OF NET ASSETS

Capital stock, at par	\$	276,233
Paid-in-capital		138,518,698
Accumulated net realized gain/(loss)		(1,315,211)
Net unrealized appreciation on investments		17,728,640
	<b>\$</b>	<b>155,208,360</b>

## SHARES OF COMMON STOCK

OUTSTANDING (100,000,000 shares authorized at \$0.01 par value)		27,623,255
Net asset value per share	\$	5.62

*See accompanying notes to financial statements.*

## BLUE CHIP VALUE FUND, INC.

**STATEMENT OF OPERATIONS**

For the Year Ended December 31, 2005

## INCOME

Dividends (net of foreign withholding taxes of \$29,471)	\$ 2,367,484	
Interest	12,704	
TOTAL INCOME		\$ 2,380,188

## EXPENSES

Investment advisory fee (Note 3)	920,686	
Administrative services fee (Note 3)	99,762	
Interest on loan payable to bank	558,381	
Legal fees	136,031	
Stockholder reporting	98,717	
Directors' fees	71,583	
Transfer agent fees	71,304	
NYSE listing fees	26,572	
Audit and tax preparation fees	21,150	
Chief Compliance Officer fees	18,000	
Insurance and fidelity bond	14,953	
Custodian fees	9,573	
Other	3,602	
TOTAL EXPENSES		2,050,314
NET INVESTMENT INCOME		329,874

## REALIZED AND UNREALIZED

GAIN/(LOSS) ON INVESTMENTS		
Net realized gain on investments		1,517,539
Change in net unrealized appreciation/ depreciation of investments		9,792,262
NET GAIN ON INVESTMENTS		11,309,801
NET INCREASE IN NET ASSETS		
RESULTING FROM OPERATIONS		\$ 11,639,675

See accompanying notes to financial statements.

## BLUE CHIP VALUE FUND, INC.

## STATEMENTS OF CHANGES IN NET ASSETS

	<b>For the Year Ended December 31, 2005</b>	<b>For the Year Ended December 31, 2004</b>
<b>Increase/(decrease) in net assets from operations:</b>		
Net investment income	\$ 329,874	\$ 851,907
Net realized gain from securities transactions	1,517,539	30,652,528
Change in net unrealized appreciation or depreciation of investments	9,792,262	(11,703,635)
	11,639,675	19,800,800
<b>Decrease in net assets from distributions to stockholders from:</b>		
Net investment income	(411,781)	(770,000)
Net realized gain on investments	(3,102,020)	(14,410,727)
Return of capital	(12,152,094)	0
	(15,665,895)	(15,180,727)
<b>Increase in net assets from common stock transactions:</b>		
Net asset value of common stock issued to stockholders from reinvestment of dividends (379,616 and 373,845 shares issued, respectively)	2,331,343	2,226,141
	2,331,343	2,226,141
<b>NET INCREASE/(DECREASE) IN NET ASSETS</b>	<b>(1,694,877)</b>	<b>6,846,214</b>
<b>NET ASSETS</b>		
Beginning of year	156,903,237	150,057,023
End of year (including undistributed net investment income of \$0 and \$81,907, respectively)	\$ 155,208,360	\$ 156,903,237

See accompanying notes to financial statements.



## BLUE CHIP VALUE FUND, INC.

**STATEMENT OF CASH FLOWS**

For the Year Ended December 31, 2005

**Cash Flows from Operating Activities**

Net increase in net assets from operations	\$	11,639,675
Adjustments to reconcile net increase in net assets from operations to net cash provided by operating activities:		
Purchase of investment securities		(68,497,654)
Proceeds from disposition of investment securities		76,463,614
Net purchase of short-term investment securities		(1,261,037)
Net realized gain from securities investments		(1,517,539)
Net change in unrealized appreciation on investments		(9,792,262)
Decrease in dividends and interest receivable		67,579
Increase in other assets		(1,754)
Increase in accrued expenses and payables		83,930
<b>Net cash provided by operating activities</b>		<b>7,184,552</b>

**Cash Flows from Financing Activities**

Proceeds from bank borrowing	8,150,000
Repayment of bank borrowing	(2,000,000)
Cash distributions paid	(13,334,552)
<b>Net cash used in financing activities</b>	<b>(7,184,552)</b>

<b>Net increase in cash</b>	<b>0</b>
<b>Cash, beginning balance</b>	<b>0</b>
<b>Cash, ending balance</b>	<b>0</b>

**Supplemental disclosure of cash flow information:**

Noncash financing activities not included herein consist of reinvestment of dividends and distributions of \$2,331,343.

*See accompanying notes to financial statements.*

## BLUE CHIP VALUE FUND, INC.

**FINANCIAL HIGHLIGHTS****Per Share Data**

(for a share outstanding throughout each period)

	<b>For the year ended December 31,</b>		
	<b>2005</b>	<b>2004</b>	<b>2003</b>
Net asset value - beginning of period	\$ 5.76	\$ 5.58	\$ 4.85
<b>Investment operations*</b>			
Net investment income	0.01	0.03	0.01
Net gain (loss) on investments	0.42	0.71	1.23
Total from investment operations	0.43	0.74	1.24
<b>Distributions</b>			
From net investment income	(0.02)	(0.03)	(0.01)
From net realized gains on investments	(0.11)	(0.53)	-
Return of capital	(0.44)	-	(0.50)
Total distributions	(0.57)	(0.56)	(0.51)
<b>Capital Share Transactions</b>			
Dilutive effects of rights offerings	-	-	-
Offering costs charged to paid in capital	-	-	-
Total capital share transactions	-	-	-
Net asset value, end of period	\$ 5.62	\$ 5.76	\$ 5.58
Per share market value, end of period	\$ 6.31	\$ 6.68	\$ 6.14

**Total investment return<sup>(1)</sup> based on:**

Market Value	3.7%	19.2%	46.9%
Net Asset Value	7.1%	13.1%	26.4%

**Ratios/Supplemental data:**

Ratio of total expenses to average net assets(3)	1.33%	1.12%	1.13%
Ratio of net investment income to average net assets	0.21%	0.57%	0.27%
Ratio of total distributions to average net assets	10.13%	10.16%	10.07%
Portfolio turnover rate(2)	40.96%	115.39%	52.58%
Net assets - end of period (in thousands)	\$ 155,208	\$ 156,903	\$ 150,057

See accompanying notes to financial statements.

\* Per share amounts calculated based on average shares outstanding during the period.

(1) 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 investment return does not reflect the deduction of taxes that a stockholder would pay on Fund distributions or the sale of Fund shares. 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.

(2) A portfolio turnover rate is the percentage computed by taking the lesser of purchases or sales of portfolio securities (excluding short-term investments) for a year and dividing it by the monthly average of the market



*value of the portfolio securities during the year. Purchases and sales of investment securities (excluding short-term securities) for the year ended December 31, 2005 were \$68,497,654 and \$76,463,614, respectively.*

*(3) The ratio of total expenses to average net assets excluding interest expense was 0.97% and 0.99% for the years ended December 31, 2005 and 2004, respectively. For all prior years presented, the interest expense, if any, was less than 0.01%.*

Edgar Filing: BLUE CHIP VALUE FUND INC - Form N-CSR

	<b>For the year ended December 31,</b>	
	<b>2002</b>	<b>2001</b>
Net asset value - beginning of period	\$ 6.94	\$ 8.17
<b>Investment operations*</b>		
Net investment income	0.04	0.04
Net gain (loss) on investments	(1.40)	(0.29)
Total from investment operations	(1.36)	(0.25)
<b>Distributions</b>		
From net investment income	(0.04)	(0.04)
From net realized gains on investments	-	(0.36)
Return of capital	(0.52)	(0.34)
Total distributions	(0.56)	(0.74)
<b>Capital Share Transactions</b>		
Dilutive effects of rights offerings	(0.16)	(0.23)
Offering costs charged to paid in capital	(0.01)	(0.01)
Total capital share transactions	(0.17)	(0.24)
Net asset value, end of period	\$ 4.85	\$ 6.94
Per share market value, end of period	\$ 4.59	\$ 7.56
<b>Total investment return<sup>(1)</sup> based on:</b>		
Market Value	(32.2%)	14.1%
Net Asset Value	(20.6%)	(3.0%)
<b>Ratios/Supplemental data:</b>		
Ratio of total expenses to average net assets <sup>(3)</sup>	0.93%	0.91%
Ratio of net investment income to average net assets	0.64%	0.56%
Ratio of total distributions to average net assets	10.15%	10.21%
Portfolio turnover rate <sup>(2)</sup>	65.86%	73.30%
Net assets - end of period (in thousands)	\$ 128,713	\$ 145,517

See accompanying notes to financial statements.

\* Per share amounts calculated based on average shares outstanding during the period.

(1) 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 investment return does not reflect the deduction of taxes that a stockholder would pay on Fund distributions or the sale of Fund shares. 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.

(2) A portfolio turnover rate is the percentage computed by taking the lesser of purchases or sales of portfolio securities (excluding short-term investments) for a year and dividing it by the monthly average of the market value of the portfolio securities during the year. Purchases and sales of investment securities (excluding short-term securities) for the year ended December 31, 2005 were \$68,497,654 and \$76,463,614, respectively.

(3) The ratio of total expenses to average net assets excluding interest expense was 0.97% and 0.99% for the years ended December 31, 2005 and 2004, respectively. For all prior years presented, the interest expense, if any, was less than 0.01%.



BLUE CHIP VALUE FUND, INC.

**NOTES TO FINANCIAL STATEMENTS**

December 31, 2005

**1. ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES**

Blue Chip Value Fund, Inc. (the "Fund") is registered under the Investment Company Act of 1940, as amended, as a diversified, closed-end management investment company.

The following is a summary of significant accounting policies followed by the Fund in the preparation of its financial statements.

**Security Valuation** - All securities of the Fund are valued as of the close of regular trading on the New York Stock Exchange ("NYSE"), currently 4:00 p.m. (Eastern Time), on each day that the NYSE is open. Listed securities are generally valued at the last sales price as of the close of regular trading on the NYSE. Securities traded on the National Association of Securities Dealers Automated Quotation ("NASDAQ") are generally valued at the NASDAQ Official Closing Price ("NOCP"). In the absence of sales and NOCP, such securities are valued at the mean of the bid and asked prices.

Securities having a remaining maturity of 60 days or less are valued at amortized cost which approximates market value.

When market quotations are not readily available or when events occur that make established valuation methods unreliable, securities of the Fund may be valued at fair value determined in good faith by or under the direction of the Board of Directors. Factors which may be considered when determining the fair value of a security include (a) the fundamental data relating to the investment; (b) an evaluation of the forces which influence the market in which the security is sold, including the liquidity and depth of the market; (c) the market value at date of purchase; (d) information as to any transactions or offers with respect to the security or comparable securities; and (e) any other relevant matters.

**Investment Transactions** - Investment transactions are accounted for on the date the investments are purchased or sold (trade date). Realized gains and losses from investment transactions and unrealized appreciation and depreciation of investments are determined on the "specific identification" basis for both financial statement and federal income tax purposes. Dividend income is recorded on the ex-dividend date. Interest income, which includes interest earned on money market funds, is accrued and recorded daily.

**Federal Income Taxes** - The Fund intends to comply with the requirements of the Internal Revenue Code that are applicable to regulated investment companies and to distribute all of its taxable income to its stockholders. Therefore, no provision has been made for federal income taxes.

The tax character of the distributions paid was as follows:

	<b>Year Ended December 31, 2005</b>		<b>Year Ended December 31, 2004</b>	
<b>Distributions paid from:</b>				
Ordinary income	\$	1,073,408	\$	770,000
Long-term capital gain		2,440,387		14,410,727
Return of capital		12,152,100		-
Total	\$	15,665,895	\$	15,180,727

As of December 31, 2005 the components of distributable earnings on a tax basis were as follows:

Undistributed net investment income	\$	0
Net unrealized appreciation		17,537,118
Effect of other timing differences		(1,123,682)
Total	\$	16,413,436

The difference between book basis and tax basis is attributable to the tax deferral of losses on wash sales and post-October losses.

**Distributions to Stockholders** - Distributions to stockholders are recorded on the ex-dividend date.

The Fund currently maintains a "managed distribution policy" which distributes at least 2.5% of its net asset value quarterly to its stockholders. These fixed distributions are not related to the amount of the Fund's net investment income or net realized capital gains or losses and will be classified to conform to the tax reporting requirements of the Internal Revenue Code.

Denver Investment Advisors LLC ("DenverIA") generally seeks to minimize realized capital gain distributions without generating capital loss carryforwards. As such, if the Fund's total distributions required by the fixed quarterly payout policy for the year exceed the Fund's "current and accumulated earnings and profits," the excess will be treated as non-taxable return of capital, reducing the stockholder's adjusted basis in his or her shares. Although capital loss carryforwards may offset any current year net realized capital gains, such amounts do not reduce the Fund's "current earnings and profits."

Therefore, to the extent that current year net realized capital gains are offset by capital loss carryforwards, such excess distributions would be classified as taxable ordinary income rather than non-taxable return of capital. In this situation, the Fund's Board of Directors would consider that factor, among others, in determining whether to retain, alter or eliminate the "managed distribution policy." The Fund's distribution policy may be changed at the discretion of the Fund's Board of Directors. At this time, the Board of Directors has no plans to change the current policy.

**Use of Estimates** - The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements and disclosures made in the accompanying notes to the financial statements. Actual results could differ from those estimates.

**2. UNREALIZED APPRECIATION AND DEPRECIATION OF INVESTMENTS (TAX BASIS)**

**As of December 31, 2005:**

Gross appreciation (excess of value over tax cost)	\$ 21,811,074
Gross depreciation (excess of tax cost over value)	(4,273,956)
Net unrealized appreciation	\$ 17,537,118
Cost of investments for income tax purposes	\$ 155,822,008

**3. INVESTMENT ADVISORY AND ADMINISTRATION SERVICES**

The Fund has an Investment Advisory Agreement with Denver Investment Advisors LLC ("DenverIA"), whereby a management fee is paid to DenverIA based on an annual rate of 0.65% of the Fund's average weekly net assets up to \$100,000,000 and 0.50% of the Fund's average weekly net assets in excess of \$100,000,000. The management fee is paid monthly based on the average of the net assets of the Fund computed as of the last business day the New York Stock Exchange is open each week. Certain officers and a director of the Fund are also officers of DenverIA.

ALPS Mutual Funds Services, Inc. ("ALPS") and DenverIA serve as the Fund's co-administrators. The Administrative Agreement includes the Fund's administrative and fund accounting services. The administrative services fee is based on an annual rate for ALPS and DenverIA, respectively, of 0.0835% and 0.01% of the Fund's average daily net assets up to \$75,000,000, 0.04%, and 0.005% of the Fund's average daily net assets between \$75,000,000 and \$125,000,000, and 0.02% and 0.005% of the Fund's average daily net assets in excess of \$125,000,000 plus certain out-of-pocket expenses. The administrative service fee is paid monthly.

Effective February 7, 2006, the administrative services fee for ALPS was increased to an annual rate of 0.0855% of the Fund's average daily net assets up to \$75,000,000. The remaining breakpoint fee schedule is unchanged.

Effective October 1, 2004, the Directors appointed a Chief Compliance Officer who is also Treasurer of the Fund and an employee of DenverIA. The Directors agreed that the Fund would reimburse DenverIA a portion of his compensation for his services as the Fund's Chief Compliance Officer.

#### **4. LOAN OUTSTANDING**

On December 6, 2005, an agreement with The Bank of New York ("BONY") was reached, in which the Fund may borrow up to the lesser of \$15,000,000 or the maximum amount the Fund is permitted to borrow under the Investment Company Act of 1940. The interest rate resets daily at overnight Federal Funds Rate plus 0.825%. The borrowings under the BONY loan are secured by a perfected security interest on all of the Fund's assets.

The BONY agreement replaces the agreement with Custodial Trust Company ("CTC") which allowed the Fund to borrow an aggregate amount of up to the lesser of \$15,000,000 or the maximum amount the Fund was permitted to borrow under the Investment Company Act of 1940. The interest rate on the CTC loan reset monthly at 30-day LIBOR plus 1.00%. The borrowings under the CTC loan were secured by pledging a portion of the Fund's portfolio securities as collateral. The initial value of the portfolio securities pledged equaled twice the amount of the loan outstanding.

Edgar Filing: BLUE CHIP VALUE FUND INC - Form N-CSR

Details of the loan outstanding are as follows:

	<b>As of December 31, 2005</b>	<b>Average for Year Ended December 31, 2005</b>
Loan outstanding	\$ 14,000,000	\$ 12,681,015
Interest rate	4.92%*	4.30%
% of Fund's total assets	8.07%	7.31%
Amount of debt per share outstanding	\$ 0.51	\$ 0.46
Number of shares outstanding (in thousands)	27,623	27,465**

\*\*Annualized

\*\*Weighted average

30

---



**BOARD OF DIRECTORS**

Kenneth V. Penland, *Chairman*  
Todger Anderson, *Director*  
Lee W. Mather, Jr, *Director*  
Gary P. McDaniel, *Director*  
Richard C. Schulte, *Director*  
Roberta M. Wilson, *Director*

**OFFICERS**

Kenneth V. Penland, *Chairman*  
Todger Anderson, *President*  
Mark M. Adelman, *Vice President*  
Joan Ohlbaum Swirsky, *Secretary*  
Jasper R. Frontz, *Treasurer, Chief  
Compliance Officer*

**Investment Adviser/Co-Administrator**

Denver Investment Advisors LLC  
1225 17th Street, 26th Floor  
Denver, CO 80202

**Stockholder Relations**

Margaret R. Jurado  
(800) 624-4190 (option #2)  
e-mail: blu@denveria.com

**Custodian**

Bank of New York  
One Wall Street  
New York, NY 10286

**Co-Administrator**

ALPS Mutual Funds Services, Inc.  
1625 Broadway, Suite 2200  
Denver, CO 80202

**Transfer Agent**

**Dividend Reinvestment Plan Agent  
(Questions regarding your Account)**

Mellon Investor Services, LLC  
480 Washington Blvd.  
Jersey City, NJ 07310  
(800) 624-4190 (option #1)  
www.melloninvestor.com

NYSE Symbol-BLU

www.blu.com

**Item 2 - Code of Ethics**

(a) The registrant, as of the end of the period covered by the report, has adopted a code of ethics that applies to the registrant's principal executive officer, principal financial officer, principal accounting officer or controller or any persons performing similar functions on behalf of the registrant.

(b) Not applicable.

(c) During the period covered by this report, no amendments were made to the provisions of the code of ethics adopted in 2(a) above.

(d) During the period covered by this report, no implicit or explicit waivers to the provisions of the code of ethics adopted in 2(a) above were granted.

(e) Not applicable.

(f) The registrant's Code of Ethics is attached as an Exhibit hereto.

**Item 3 - Audit Committee Financial Expert**

The Board of Directors of the registrant has determined that the registrant has at least one "audit committee financial expert" serving on its audit committee. The Board of Directors has designated Gary P. McDaniel and Roberta M. Wilson as the registrant's "audit committee financial experts." Mr. McDaniel and Ms. Wilson are "independent" as defined in paragraph (a)(2) of Item 3 to Form N-CSR.

**Item 4. Principal Accountant Fees and Services**

(a) Audit Fees: For the Registrant's fiscal years ended December 31, 2005 and December 31, 2004, the aggregate fees billed for professional services rendered by the principal accountant for the audit of the Registrant's annual financial statements were \$19,000 and \$17,300, respectively.

(b) Audit-Related Fees: In Registrant's fiscal years ended December 31, 2005 and December 31, 2004, no fees were billed for assurance and related services by the principal accountant that are reasonably related to the performance of the audit of the Registrant's financial statements and are not reported under paragraph (a) of this Item.

---

(c) Tax Fees: For the Registrant's fiscal years ended December 31, 2005 and December 31, 2004, aggregate fees of \$2,150 and \$7,200, respectively, were billed for professional services. The fiscal year 2005 tax fees were for review of tax returns and year-end distributions in compliance with applicable regulations. The fiscal year 2004 tax fees were for tax return preparation services, review of year-end distributions in compliance with applicable regulations and assistance in preparing an application to change accounting method for the Registrant.

(d) All Other Fees: For the Registrant's fiscal year ended December 31, 2005 and December 31, 2004, no fees were billed to Registrant by the principal accountant for services other than the services reported in paragraph (a) through (c).

(e) (1) Audit Committee Pre-Approval Policies and Procedures: The Registrant's Audit Committee has not adopted pre-approval policies and procedures. Instead, the Audit Committee approves on a case-by-case basis each audit or non-audit service before the engagement.

(e) (2) No services described in paragraphs (b) through (d) above were approved pursuant to paragraph (c)(7)(i)(C) of Rule 2-01 of Regulation S-X.

(f) Not applicable.

(g) Aggregate non-audit fees of \$2,150 were billed by the Registrant's principal accountant for services rendered to the Registrant and to Registrant's investment adviser for the Registrant's fiscal year ended December 31, 2005 and aggregate non-audit fees of \$35,340 were billed by the Registrant's principal accountant for services rendered to the Registrant and to Registrant's investment adviser for the Registrant's fiscal year ended December 31, 2004.

(h) Not applicable.

#### **Item 5 - Audit Committee of Listed Registrants**

(a) The Registrant has a separately-designated standing Audit Committee established in accordance with Section 3(a)(58)(A) of the Exchange Act. The committee members are: Roberta M. Wilson, Richard C. Schulte, Lee W. Mather, Jr. and Gary P. McDaniel.

(b) Not applicable.

#### **Item 6 - Schedule of Investments**

Schedule of Investments is included as part of the Report to Stockholders filed under Item 1 of this form.

---

## **Item 7 - Disclosure of Proxy Voting Policies and Procedures for Closed-End Management Investment Companies**

The Registrant's Board of Directors, at their May 2003 Board meeting, delegated to its investment adviser, Denver Investment Advisors, subject to the supervision of the Board, the authority to vote Registrant's proxies relating to portfolio securities and directed Denver Investment Advisors to follow and apply Denver Investment Advisors' proxy voting policies and procedures when voting such proxies. A copy of Denver Investment Advisors' Proxy Voting Policy which sets forth the guidelines to be utilized by Denver Investment Advisors in voting proxies for the Registrant follows.

### **Denver Investment Advisors LLC Proxy Voting Policy**

Denver Investment Advisors LLC ("DenverIA"), unless otherwise directed by our clients, will make reasonable attempts to research, vote and record all proxy ballots for the security positions we maintain on our clients' behalf. To execute this responsibility to the highest standard, DenverIA relies heavily on its subscription to the ISS Proxy Voting system ("VoteX"). Institutional Shareholder Services ("ISS") provides proxy research and recommendations, as well as automated voting and record keeping, and is the world's leader in these services. Although ISS offers other consulting services to companies that it also makes proxy vote recommendations on, we review their policies a minimum of once per year and will only use ISS as long as we deem them independent.

1 We fully review annually ISS Proxy Voting Guidelines and follow their recommendations on most issues for shareholder vote. Subcategories within the guidelines include:

- 1) Operational Items
- 2) Board of Directors
- 3) Proxy Contests
- 4) Anti-takeover Defenses and Voting Related Issues
- 5) Mergers and Corporate Restructurings
- 6) State of Incorporation
- 7) Capital Structure
- 8) Executive and Director Compensation
- 9) Social and Environmental Issues
- 10) Mutual Fund Proxies
- 11) Global Proxy Voting Matters

In the rare instance where our portfolio research or security Analyst believes that any ISS recommendation would be to the detriment of our investment clients, we can and will override the ISS recommendation through a manual vote. The final authorization to override an ISS recommendation must be approved by the CCO, Executive Manager or Compliance Committee other than the Analyst. A written record supporting the decision to override the ISS

recommendation will be maintained.

Special considerations are made for stocks traded on foreign exchanges. Specifically, if voting will hinder or impair the liquidity of these stocks, DenverIA will not exercise its voting rights.

For any matters subject to proxy vote for mutual funds in which DenverIA is an affiliated party, DenverIA will vote on behalf of clients invested in such mutual funds in accordance with ISS, with no exceptions.

---

Client information is automatically recorded in "VoteX" for record keeping. For accounts custodied at financial institutions that are not clients of ISS, physical proxy cards are received, marked and returned for voting. Those votes are then manually recorded in "VoteX". For client accounts held in an omnibus registration, ballots that are received will be voted, but no records for individual accounts held in omnibus registration are maintained.

DenverIA maintains proxy data showing the voting pattern on specific issues - either for an individual meeting or for all proxies voted within a specified time period, in addition to proxy voting on individual client accounts.

Upon request we have available ISS Proxy Voting Guidelines Summary documentation from the ISS Proxy Voting manual.

Last Amended: October 2004

---

**2099 GAITHER ROAD  
SUITE 501  
ROCKVILLE, MD 20850-4045  
(301) 556-0500  
FAX (301) 556-0486  
WWW.ISSPROXY.COM**

Copyright © 2005 by Institutional Shareholder Services.

All rights reserved. No part of this publication may be reproduced or transmitted in any form or by any means, electronic or mechanical, including photocopy, recording, or any information storage and retrieval system, without permission in writing from the publisher.

Requests for permission to make copies of any part of this work should be sent to:

Institutional Shareholder Services  
Marketing Department  
2099 Gaither Road  
Rockville, MD 20850

ISS is a trademark used herein under license.

---

**ISS 2006 Proxy Voting Guidelines Summary  
Effective for Meetings Feb 1, 2006  
Updated Dec 19, 2005**

The following is a condensed version of the proxy voting recommendations contained in the ISS Proxy Voting Manual.

<b><u>1. Operational Items.</u></b>	6
<u>Adjourn Meeting.</u>	6
<u>Amend Quorum Requirements.</u>	6
<u>Amend Minor Bylaws.</u>	6
<u>Change Company Name.</u>	6
<u>Change Date, Time, or Location of Annual Meeting.</u>	6
<u>Ratifying Auditors.</u>	6
<u>Transact Other Business.</u>	6
<b><u>2. Board of Directors:</u></b>	7
<u>Voting on Director Nominees in Uncontested Elections.</u>	7
<u>2006 Classification of Directors.</u>	9
<u>Age Limits.</u>	10
<u>Board Size.</u>	10
<u>Classification/Declassification of the Board.</u>	10
<u>Cumulative Voting.</u>	10
<u>Director and Officer Indemnification and Liability Protection.</u>	11
<u>Establish/Amend Nominee Qualifications.</u>	11
<u>Filling Vacancies/Removal of Directors.</u>	11
<u>Independent Chair (Separate Chair/CEO)</u>	11
<u>Majority of Independent Directors/Establishment of Committees.</u>	12
<u>Majority Vote Shareholder Proposals.</u>	12
<u>Office of the Board.</u>	13
<u>Open Access.</u>	13
<u>Stock Ownership Requirements.</u>	13
<u>Term Limits.</u>	13
<b><u>3. Proxy Contests.</u></b>	14
<u>Voting for Director Nominees in Contested Elections.</u>	14
<u>Reimbursing Proxy Solicitation Expenses.</u>	14
<u>Confidential Voting.</u>	14
<b><u>4. Antitakeover Defenses and Voting Related Issues.</u></b>	15
<u>Advance Notice Requirements for Shareholder Proposals/Nominations.</u>	15
<u>Amend Bylaws without Shareholder Consent</u>	15
<u>Poison Pills.</u>	15
<u>Shareholder Ability to Act by Written Consent</u>	15



Shareholder Ability to Call Special Meetings. 15

Supermajority Vote Requirements. 15

<b><u>5. Mergers and Corporate Restructurings.</u></b>	<b>16</b>
<u>Overall Approach.</u>	16
<u>Appraisal Rights.</u>	16
<u>Asset Purchases.</u>	16
<u>Asset Sales.</u>	17
<u>Bundled Proposals.</u>	17
<u>Conversion of Securities.</u>	17
<u>Corporate Reorganization/Debt Restructuring/Prepackaged Bankruptcy Plans/Reverse Leveraged Buyouts/Wrap Plans</u>	17
<u>Formation of Holding Company.</u>	17
<u>Going Private Transactions (LBOs, Minority Squeezeouts, and Going Dark)</u>	18
<u>Joint Ventures.</u>	18
<u>Liquidations.</u>	18
<u>Mergers and Acquisitions/ Issuance of Shares to Facilitate Merger or Acquisition.</u>	18
<u>Private Placements/Warrants/Convertible Debentures.</u>	18
<u>Spinoffs.</u>	19
<u>Value Maximization Proposals.</u>	19
<b><u>6. State of Incorporation..</u></b>	<b>20</b>
<u>Control Share Acquisition Provisions.</u>	20
<u>Control Share Cash-out Provisions.</u>	20
<u>Disgorgement Provisions.</u>	20
<u>Fair Price Provisions.</u>	20
<u>Freeze-out Provisions.</u>	20
<u>Greenmail</u>	20
<u>Reincorporation Proposals.</u>	21
<u>Stakeholder Provisions.</u>	21
<u>State Antitakeover Statutes.</u>	21
<b><u>7. Capital Structure.</u></b>	<b>22</b>
<u>Adjustments to Par Value of Common Stock.</u>	22
<u>Common Stock Authorization.</u>	22
<u>Dual-Class Stock.</u>	22
<u>Issue Stock for Use with Rights Plan.</u>	22
<u>Preemptive Rights.</u>	22
<u>Preferred Stock.</u>	22
<u>Recapitalization.</u>	23
<u>Reverse Stock Splits.</u>	23
<u>Share Repurchase Programs.</u>	23
<u>Stock Distributions: Splits and Dividends.</u>	23
<u>Tracking Stock.</u>	23
<b><u>8. Executive and Director Compensation..</u></b>	<b>24</b>
<u>Equity Compensation Plans.</u>	24
<u>Cost of Equity Plans.</u>	24

<u>Repricing Provisions.</u>	<u>24</u>
<u>Pay-for Performance Disconnect</u>	<u>24</u>
<u>Three-Year Burn Rate/Burn Rate Commitment</u>	<u>26</u>
<u>Poor Pay Practices.</u>	<u>27</u>
<u>Specific Treatment of Certain Award Types in Equity Plan Evaluations:</u>	<u>28</u>
<u>Dividend Equivalent Rights.</u>	<u>28</u>
<u>Liberal Share Recycling Provisions.</u>	<u>28</u>
<u>Transferable Stock Option Awards.</u>	<u>28</u>

<u>Other Compensation Proposals and Policies.</u>	<u>28</u>
<u>401(k) Employee Benefit Plans.</u>	<u>28</u>
<u>Director Compensation.</u>	<u>28</u>
<u>Director Retirement Plans.</u>	<u>29</u>
<u>Disclosure of CEO Compensation-Tally Sheet</u>	<u>29</u>
<u>Employee Stock Ownership Plans (ESOPs)</u>	<u>30</u>
<u>Employee Stock Purchase Plans-- Qualified Plans.</u>	<u>30</u>
<u>Employee Stock Purchase Plans-- Non-Qualified Plans.</u>	<u>31</u>
<u>Incentive Bonus Plans and Tax Deductibility Proposals (OBRA-Related Compensation Proposals)</u>	<u>31</u>
<u>Option Exchange Programs/Repricing Options.</u>	<u>31</u>
<u>Stock Plans in Lieu of Cash.</u>	<u>32</u>
<u>Transfer Programs of Stock Options.</u>	<u>32</u>
<u>Shareholder Proposals on Compensation.</u>	<u>32</u>
<u>Disclosure/Setting Levels or Types of Compensation for Executives and Directors.</u>	<u>32</u>
<u>Option Expensing.</u>	<u>33</u>
<u>Option Repricing.</u>	<u>33</u>
<u>Pension Plan Income Accounting.</u>	<u>33</u>
<u>Performance-Based Awards.</u>	<u>33</u>
<u>Severance Agreements for Executives/Golden Parachutes.</u>	<u>33</u>
<u>Supplemental Executive Retirement Plans (SERPs)</u>	<u>33</u>
<b><u>9. Corporate Responsibility.</u></b>	<b><u>34</u></b>
<u>Consumer Issues and Public Safety.</u>	<u>34</u>
<u>Animal Rights.</u>	<u>34</u>
<u>Drug Pricing.</u>	<u>34</u>
<u>Drug Reimportation.</u>	<u>34</u>
<u>Genetically Modified Foods.</u>	<u>34</u>
<u>Handguns.</u>	<u>35</u>
<u>HIV/AIDS.</u>	<u>35</u>
<u>Predatory Lending.</u>	<u>35</u>
<u>Tobacco.</u>	<u>36</u>
<u>Toxic Chemicals.</u>	<u>36</u>
<u>Environment and Energy.</u>	<u>37</u>
<u>Arctic National Wildlife Refuge.</u>	<u>37</u>
<u>CERES Principles.</u>	<u>37</u>
<u>Concentrated Area Feeding Operations (CAFOs)</u>	<u>37</u>
<u>Environmental-Economic Risk Report</u>	<u>37</u>
<u>Environmental Reports.</u>	<u>37</u>
<u>Global Warming.</u>	<u>37</u>
<u>Kyoto Protocol Compliance.</u>	<u>38</u>
<u>Land Use.</u>	<u>38</u>

Edgar Filing: BLUE CHIP VALUE FUND INC - Form N-CSR

<u>Nuclear Safety.</u>	<u>38</u>
<u>Operations in Protected Areas.</u>	<u>38</u>
<u>Recycling.</u>	<u>38</u>
<u>Renewable Energy.</u>	<u>38</u>
<u>Sustainability Report</u>	<u>39</u>
<u>General Corporate Issues.</u>	<u>39</u>
<u>Charitable/Political Contributions.</u>	<u>39</u>
<u>Link Executive Compensation to Social Performance.</u>	<u>39</u>
<u>Outsourcing/Offshoring.</u>	<u>40</u>
<u>Labor Standards and Human Rights.</u>	<u>40</u>
<u>China Principles.</u>	<u>40</u>
<u>Country-specific Human Rights Reports.</u>	<u>40</u>
<u>International Codes of Conduct/Vendor Standards.</u>	<u>40</u>
<u>MacBride Principles.</u>	<u>41</u>

© 2005 Institutional Shareholder Services Inc. All Rights Reserved.

<u>Military Business.</u>	41
<u>Foreign Military Sales/Offsets.</u>	41
<u>Landmines and Cluster Bombs.</u>	41
<u>Nuclear Weapons.</u>	41
<u>Operations in Nations Sponsoring Terrorism (e.g.. Iran)</u>	42
<u>Spaced-Based Weaponization.</u>	42
<u>Workplace Diversity.</u>	42
<u>Board Diversity.</u>	42
<u>Equal Employment Opportunity (EEO)</u>	42
<u>Glass Ceiling.</u>	42
<u>Sexual Orientation.</u>	43
<b><u>10. Mutual Fund Proxies.</u></b>	44
<u>Election of Directors.</u>	44
<u>Converting Closed-end Fund to Open-end Fund.</u>	44
<u>Proxy Contests.</u>	44
<u>Investment Advisory Agreements.</u>	44
<u>Approving New Classes or Series of Shares.</u>	44
<u>Preferred Stock Proposals.</u>	44
<u>1940 Act Policies.</u>	44
<u>Changing a Fundamental Restriction to a Nonfundamental Restriction.</u>	45
<u>Change Fundamental Investment Objective to Nonfundamental</u>	45
<u>Name Change Proposals.</u>	45
<u>Change in Fund's Subclassification.</u>	45
<u>Disposition of Assets/Termination/Liquidation.</u>	45
<u>Changes to the Charter Document</u>	45
<u>Changing the Domicile of a Fund.</u>	46
<u>Authorizing the Board to Hire and Terminate Subadvisors Without Shareholder Approval</u>	46
<u>Distribution Agreements.</u>	46
<u>Master-Feeder Structure.</u>	46
<u>Mergers.</u>	46
<u>Shareholder Proposals for Mutual Funds.</u>	46
<u>Establish Director Ownership Requirement</u>	46
<u>Reimburse Shareholder for Expenses Incurred.</u>	46
<u>Terminate the Investment Advisor</u>	46



## 1. Operational Items

### Adjourn Meeting

Generally vote AGAINST proposals to provide management with the authority to adjourn an annual or special meeting absent compelling reasons to support the proposal.

Vote FOR proposals that relate specifically to soliciting votes for a merger or transaction if supporting that merger or transaction. Vote AGAINST proposals if the wording is too vague or if the proposal includes "other business."

### Amend Quorum Requirements

Vote AGAINST proposals to reduce quorum requirements for shareholder meetings below a majority of the shares outstanding unless there are compelling reasons to support the proposal.

### Amend Minor Bylaws

Vote FOR bylaw or charter changes that are of a housekeeping nature (updates or corrections).

### Change Company Name

Vote FOR proposals to change the corporate name.

### Change Date, Time, or Location of Annual Meeting

Vote FOR management proposals to change the date/time/location of the annual meeting unless the proposed change is unreasonable.

Vote AGAINST shareholder proposals to change the date/time/location of the annual meeting unless the current scheduling or location is unreasonable.

### Ratifying Auditors

Vote FOR proposals to ratify auditors, unless any of the following apply:

- An auditor has a financial interest in or association with the company, and is therefore not independent,
- There is reason to believe that the independent auditor has rendered an opinion which is neither accurate nor indicative of the company's financial position, or
- Fees for non-audit services ("Other" fees) are excessive.

Non-audit fees are excessive if:

Non-audit ("other") fees > audit fees + audit-related fees + tax compliance/preparation fees

Tax compliance and preparation include the preparation of original and amended tax returns, refund claims and tax payment planning. All other services in the tax category, such as tax advice, planning or consulting should be added to "Other" fees. If the breakout of tax fees cannot be determined, add all tax fees to "Other" fees.

Vote CASE-BY-CASE on shareholder proposals asking companies to prohibit or limit their auditors from engaging in non-audit services.

Vote CASE-BY-CASE on shareholder proposals asking for audit firm rotation, taking into account the tenure of the audit firm, the length of rotation specified in the proposal, any significant audit-related issues at the company, the number of Audit Committee meetings held each year, the number of financial experts serving on the committee, and whether the company has a periodic renewal process where the auditor is evaluated for both audit quality and competitive price.

### Transact Other Business

Vote AGAINST proposals to approve other business when it appears as voting item.



© 2005 Institutional Shareholder Services Inc. All Rights Reserved.

## 2. Board of Directors:

### Voting on Director Nominees in Uncontested Elections

Vote CASE-BY-CASE on director nominees, examining, but not limited to, the following factors:

- Composition of the board and key board committees;
- Attendance at board and committee meetings;
- Corporate governance provisions and takeover activity;
- Disclosures under Section 404 of Sarbanes-Oxley Act;
- Long-term company performance relative to a market and peer index;
- Extent of the director's investment in the company;
- Existence of related party transactions;
- Whether the chairman is also serving as CEO;
- Whether a retired CEO sits on the board;
- Number of outside boards at which a director serves.

WITHHOLD from individual directors who:

- Attend less than 75 percent of the board and committee meetings without a valid excuse (such as illness, service to the nation, work on behalf of the company);
- Sit on more than six public company boards;
- Are CEOs of public companies who sit on the boards of more than two public companies besides their own-- withhold only at their outside boards.

WITHHOLD from the entire board of directors, (excepting new nominees, who should be considered on a CASE-BY-CASE basis) if:

- The company's poison pill has a dead-hand or modified dead-hand feature. Withhold every year until this feature is removed;
- The board adopts or renews a poison pill without shareholder approval since the beginning of 2005, does not commit to putting it to shareholder vote within 12 months of adoption or reneges on a commitment to put the pill to a vote and has not yet been withheld from for this issue;
- The board failed to act on a shareholder proposal that received approval by a majority of the shares outstanding the previous year;
- The board failed to act on a shareholder proposal that received approval of the majority of shares cast for the previous two consecutive years;
- The board failed to act on takeover offers where the majority of the shareholders tendered their shares;
- At the previous board election, any director received more than 50 percent withhold votes of the shares cast and the company has failed to address the issue(s) that caused the high withhold rate;
- A Russell 3000 company underperformed its industry group (GICS group). The test will consist of the bottom performers within each industry group (GICS) based on a weighted average TSR. The weightings are as follows: 20 percent weight on 1-year TSR; 30 percent weight on 3-year TSR; and 50 percent weight on 5-year TSR. Company's response to performance issues will be considered before withholding.

WITHHOLD from Inside Directors and Affiliated Outside Directors (per the Classification of Directors below) when:

- The inside or affiliated outside director serves on any of the three key committees: audit, compensation, or nominating;
- The company lacks an audit, compensation, or nominating committee so that the full board functions as that committee;
- The full board is less than majority independent.

WITHHOLD from the members of the Audit Committee if:

- The non -audit fees paid to the auditor are excessive (see discussion under Ratifying Auditors);
- A material weakness identified in the Section 404 Sarbanes-Oxley Act disclosures rises to a level of serious concern; there are chronic internal control issues and an absence of established effective control mechanisms.

WITHHOLD from the members of the Compensation Committee if:

- There is a negative correlation between chief executive pay and company performance (see discussion under Equity Compensation Plans);
- The company fails to submit one-time transfers of stock options to a shareholder vote;
- The company fails to fulfill the terms of a burn rate commitment they made to shareholders;
- The company has poor compensation practices, which include, but are not limited to:
  - Egregious employment contracts including excessive severance provisions;
  - Excessive perks that dominate compensation;
  - Huge bonus payouts without justifiable performance linkage;
  - Performance metrics that are changed during the performance period;
  - Egregious SERP (Supplemental Executive Retirement Plans) payouts;
  - New CEO with overly generous new hire package;
  - Internal pay disparity;
  - Other excessive compensation payouts or poor pay practices at the company.