

GALILEO FUNDS
Independent Review Committee
2010 Report to Unit Holders

Dear Unit holder:

An Independent Review Committee (the “IRC”) of the Galileo Funds (the “Funds”) was established July 10, 2007 pursuant to *National Instrument 81-107, Independent Review Committee for Investment Funds* (“NI 81-107”) to provide advice to Galileo Funds Inc., the manager of the Funds (the “Manager”), regarding certain conflicts of interest in mutual fund management. The members of the IRC have expertise in a variety of fields, including financial institutions, investment funds, other investment businesses and accounting. Your IRC is pleased to present its annual report to unit holders of the Funds under the requirements of NI 81-107 for the year ended December 31, 2010.

Securities regulators have given the IRC a mandate to review mutual fund conflict of interest matters identified and referred to the IRC by the Manager and to give its approval or recommendation, depending on the conflict of interest matter. The IRC’s focus is on the question of whether the Manager’s proposed action achieves a fair and reasonable result for the mutual fund. At least once per year, the IRC will also review and assess the adequacy and effectiveness of the policies and procedures relating to conflict of interest matters in respect of the Funds, and will also conduct a self-assessment of the IRC’s independence, compensation and effectiveness.

The IRC looks forward to continuing to serve in the best interests of the Funds and working effectively with management for the Funds.

John S. Willson

Chair of the Independent Review Committee

March 24, 2011

The members of the IRC are:

John S. Willson, Toronto, Ontario

Tom Caswell, Toronto, Ontario

Jerry Giroux, Toronto, Ontario

All of the members were initially appointed to the IRC October 2007 and were reappointed on December 22, 2010. There have been no changes in the constituency of the IRC since its inception. None of the members is a member of any other Independent Review Committee.

Holdings of Securities:**(a) Funds**

As at December 31, 2010, no member of the IRC beneficially owned, directly or indirectly, any class of the Funds covered by this report.

(b) Manager

As at December 31, 2010, no member of the IRC beneficially owned, directly or indirectly, any class or series of voting or equity securities the Manager.

(c) Service providers

As at December 31, 2010, no member of the IRC beneficially owned, directly or indirectly, any class or series of voting or equity securities of a person or company that provides services to the Funds or the Manager with respect to its fund business.

IRC Compensation and Indemnities

The aggregate compensation paid by the Funds to the IRC for the twelve month period, from January 1, 2010 to December 31, 2010, was \$30,000. This amount was allocated among the Funds in a manner that is considered by the Manager to be fair and reasonable to the Funds. The initial compensation of the IRC was set by the Manager. As at the date of this report, each member of the IRC receives an annual retainer of \$10,000. At least annually, the IRC will review compensation giving consideration to the following:

1. the best interests of the Funds;
2. industry best practices, including industry averages and surveys on IRC compensation;
3. the number, nature and complexity of the Funds for which the IRC acts; and
4. the nature and extent of the workload of each member of the IRC, including the commitment of time and energy that is expected from each member.

No indemnities were paid to the IRC by the Funds or the Manager during the period.

Conflict of Interest Matters

The IRC is not aware of any instance in which the Manager acted in a conflict of interest matter but did not meet a condition imposed by the IRC in its recommendation or approval. The Manager has an obligation to notify the IRC of any such instances.

Policies and Standing Instructions

The Manager has policies and procedures in place to address each of the actions listed in this report. For each of these actions, the IRC has issued standing instructions to the Manager that require the Manager to comply with its related policy and procedures and to report periodically, and at least annually, to the IRC.

Approvals and Recommendations

Recommendations acted upon in 2010

When a conflict of interest matter arises, the Manager must refer the matter, along with its proposed action, to the IRC for its review and decision. These are the conflict of interest matters that have been identified and addressed by the Manager to the satisfaction of the IRC as at December 31, 2010:

(a) Matters subject to Standing Instructions

1. Funds Investing in other Galileo Funds: There is the potential for a duplication of management fee paid by the investing fund and the timing of purchase and redemption transactions may not be in the best interests of the investee fund.
2. Allocating Fund Expenses: The Manager recovers from the Funds operating expenses that it pays on behalf of the Funds. There is a potential conflict of interest in allocating Fund expenses because the Manager may be motivated to favour one Fund over another or to allocate expenses to Funds that the Manager should be bearing itself.

(b) Other approvals or recommendations

On September 9, 2010, the Manager requested a recommendation from the IRC in connection with the proposed change of fundamental investment objective of Galileo Small/Mid Cap Fund (subsequently renamed Galileo Global Opportunities Fund) (the “Fund”) as follows:

Previous Investment Objective: To provide capital growth by investing primarily in shares of smaller and medium North American companies that are expected to profit from future economic growth.

Revised Investment Objective: To provide capital growth by investing primarily in shares of smaller and medium companies located around the world that are expected to profit from future economic growth.

The IRC reviewed the proposed change of fundamental investment objective of the Fund, and advised the Manager that in the IRC's opinion, having reviewed the proposed change of investment objective from a "conflict of interest" perspective, the proposed change of investment objective achieved a fair and reasonable result for the Fund. A summary of this IRC decision was included in the management information circular dated September 23, 2010 which was provided by the Manager to unitholders of the Fund. The management information circular indicated that while the IRC considered the change of investment objective from a "conflict of interest" perspective, it was not the role of the IRC to recommend that unitholders vote in favour of the change of investment objective, and unitholders were accordingly advised in the management information circular to review the change of investment objective and make their own decision. The change of investment objective was approved by the unitholders at a meeting held on October 20, 2010.

The IRC is **not** aware of any instance in which the Manager acted in a conflict of interest matter referred to the IRC for which the IRC **did not** give a positive recommendation.

Funds covered by this report (the Galileo Funds):

Galileo High Income Plus Fund
Galileo Global Opportunities Fund