

**CHARTER OF THE AUDIT COMMITTEE
OF THE BOARD OF DIRECTORS
OF MIDWAY GAMES INC.**

I. Purposes

- A. The primary purposes of the Audit Committee (the “Committee”) of the Board of Directors (the “Board”) of Midway Games Inc. and its subsidiaries (the “Company”) are to assist the Board by (a) reviewing the integrity of the Company’s financial statements, financial disclosures and internal control over financial reporting; (b) monitoring the system of internal controls; (c) selecting the external auditors; (d) reviewing and evaluating the external auditor’s qualifications, performance and independence; (e) reviewing the performance of the internal audit function; (f) monitoring compliance with legal and regulatory requirements; and (g) preparing a Committee report for inclusion in the Company’s annual proxy statement.

II. Membership and Conflicts of Interest

- A. The members of the Committee and the Committee Chairman shall be appointed by the Board on the recommendation of the Nominating Committee. Members may be replaced by the Board.
- B. The Committee shall consist of not less than three members, each of whom must be financially literate, and at least one member must be qualified as an “audit committee financial expert,” or must have accounting or related financial management expertise, as determined by the Board.
- C. All members must meet the experience and independence requirements of the New York Stock Exchange listing standards and the rules and regulations of the Securities and Exchange Commission (“SEC”).
- D. If a member faces a potential or actual conflict of interest about a matter before the Committee, that member shall advise the Committee Chairman, and in the case where the Committee Chairman faces a potential or actual conflict of interest, the Committee Chairman shall advise the Chairman of the Board. If a potential or actual conflict of interest exists, an independent substitute Director shall be appointed as a Committee member until the potential or actual conflict of interest is resolved.
- E. No member of the committee shall serve on more than three public company audit committees unless the Board determines that such simultaneous service would not impair such member’s ability to effectively serve on the Committee.

III. Duties and Responsibilities

Here follows the principal duties and responsibilities of the Committee, which may be supplemented as appropriate.

A. *Oversight of Independent Auditor*

The Committee shall have the following responsibilities and duties:

1. Select, retain and replace the independent auditor.
2. Determine the compensation of the independent auditor for all approved services provided.
3. Evaluate the qualifications, performance and independence of the independent auditor, and the lead personnel on the audit team. The evaluation will include

obtaining at least annually a written report from the independent auditor concerning: the firm's internal quality-control procedures; any material issues raised by the most recent internal quality-control review, or peer review, of the firm, or by any inquiry or investigation by governmental or professional authorities within the preceding five years, respecting one or more independent audits carried out by the firm, and any steps taken to deal with any such issues; and (to assess independence) all relationships between the independent auditor and the Company, taking into account the opinions of management and internal auditors.

4. Determine whether the provision of permitted non-audit services is compatible with maintaining the independence of the auditor.
5. Monitor the rotation of the audit partners as required by law and periodically consider the rotation of the independent auditor.
6. Ensure receipt from the independent auditor of a written statement describing all relationships between the independent auditor and the Company consistent with Independence Standards Board Standard No. 1.
7. Discuss with the independent auditor any disclosed relationships or services that may impact the objectivity and independence of the independent auditor, and take appropriate action to satisfy itself of the independent auditor's independence.
8. Establish and monitor policies for the Company's hiring of employees, or former employees, of the independent auditor who participated in any capacity in the audit of the Company.
9. Assist with the resolution of disagreements between management and the independent auditor about financial reporting.

The independent auditor shall report directly to the Committee.

B. Audit and Review Services

The Committee shall:

1. Pre-approve all audit and review services, including the fees and terms.
2. Review with the independent auditor the plan and scope of the audit.
3. Review with the independent auditor their reports on the audit of the Company's annual financial statements, on the review of the Company's interim financial statements, and their report on internal controls over financial reporting.
4. Communicate with the independent auditor the matters required to be discussed by Statement on Auditing Standards "Communication with Audit Committees." (SAS 61 as amended by SAS 90)
5. Before filing the Company's annual report, obtain and review a report from the independent auditor concerning: all critical accounting policies and practices followed by the Company; all alternative treatments within generally accepted accounting principles for policies and practices related to material items that have been discussed with management, including ramifications of the use of such alternative disclosure and treatments and the treatment preferred by the independent auditor; and other material written communications between the independent auditor and management.
6. Review with the independent auditor audit problems or difficulties encountered during the audit, including any restrictions on the scope of the audit, and

management's response; any communications between the audit team and the audit firm's national office concerning auditing or accounting issues or internal control-related issues presented by the engagement; and any "management" or "internal control" letter issued, or proposed to be issued, by the independent auditor to the Company that is in addition to the audit report on the effectiveness of internal control over financial reporting.

7. Review with management the independent auditor's findings, suggested changes or improvements in the Company's accounting practices, disclosures or internal controls.
8. Obtain from the independent auditor assurance that they have not become aware of any fraud or any illegal act.

C. *Non-Audit Services*

The Committee shall:

1. Pre-approve all permitted non-audit services to be performed by the independent auditors, including the fees and terms after evaluating whether such services might compromise the auditor's independence. Such pre-approval may be waived if certain services meet the de minimis and other requirements of Regulation S-X.
2. At least annually obtain assurances from the independent auditor and management that the independent auditor has not performed any prohibited non-audit services.

The Committee may delegate to subcommittees, consisting of one or more members, the authority to grant pre-approvals of permitted non-audit services, as long as decisions of such subcommittee are presented to the full Committee at its next scheduled meeting.

D. *Accounting Principles and Financial Statement Disclosure*

The Committee shall review with

1. The independent auditor significant developments in accounting, auditing and SEC rules.
2. The independent auditor major issues regarding accounting principles and financial statement presentations and any significant proposed management changes in accounting principles or financial statement disclosures.
3. Management recommended changes in the Company's methods of accounting or financial statement disclosures.

E. *Internal Controls*

The Committee shall:

1. Communicate with the independent auditor and the Company's internal auditors concerning all significant deficiencies and/or material weaknesses identified during the audit of internal control, and all other control deficiencies that were communicated by the independent auditor in writing to management.
2. When appropriate, consultation with the independent auditor and/or the internal auditors regarding internal controls shall be conducted in executive session.
3. Review with management and internal auditors the Company's internal control systems intended to ensure the reliability of financial reporting and compliance with

applicable codes of conduct, laws and regulations. This review shall include a discussion of significant problems and regulatory concerns.

F. Internal Auditor

The Committee shall:

1. Be responsible for approving the appointment, replacement and compensation of the Company's senior internal auditor, the oversight of the internal audit function and for reviewing all reports issued by the internal auditors. The senior internal auditor shall report directly to the Committee.
2. Review and approve the Company's internal audit charter and any amendments to it.
3. Approve an annual work plan to be carried out by the internal auditors.
4. Discuss with the independent auditor and management the internal audit department responsibilities, budget and staffing and any recommended changes in the planned scope of the internal audit work.
5. Review the significant reports to management prepared by the internal auditors and management's responses.
6. The Chairman of the Committee shall receive reports and be available to consult with the internal auditor in between Committee meetings.

G. Risk Exposures

1. The Committee shall discuss with management, the internal auditor, and the independent auditor, (i) the Company's policies and guidelines governing the Company's process of risk assessment and risk management, (ii) the Company's major financial risk exposures and (iii) the steps management has taken to monitor and control such financial risk exposures.
2. The Committee shall discuss with management and the independent auditor, any correspondence with regulators or governmental agencies, and any published reports that raise material issues regarding the Company's financial statements or internal controls.

H. Financial Disclosure Documents

1. The Committee shall discuss —
 - a. With management and the independent auditor the Company's annual and quarterly financial statements, and reports to be filed with the SEC or sent to stockholders, including the disclosures in the Management's Discussion and Analysis section of each periodic filing. Following the satisfactory completion of each year-end review, recommend to the Board the inclusion of the audited financial statements and management's attestation report on internal control over financial reporting in the Company's Form 10-K.
 - b. With management the Company's earnings press releases, including the use of "pro forma" or "adjusted" non-GAAP information, as well as financial information and earnings guidance provided to analysts and rating agencies.
 - c. With management and the independent auditor, the effect and disclosure of off-balance sheet entities on the Company's financial statements and in Management's Discussion and Analysis disclosures.

- d. With the Company's General Counsel legal matters that may have a material impact on the financial statements, reports received from regulators or the Company's compliance policies.
2. The Committee shall review disclosures made to the Committee by the Company's Chief Executive Officer and Chief Financial Officer during their certification process for Form 10-Q and Form 10-K about any significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting, and any fraud involving management or other employees who have a significant role in the Company's internal control over financial reporting.

I. Ethical Environment

The Committee shall:

1. Consult with management on the establishment and maintenance of an environment that promotes ethical behavior, including the communication and enforcement of the Code of Business Conduct and Ethics to guard against dishonest, unethical or illegal activities.
2. Review the status of the Company's compliance with laws, regulations and internal procedures, and the scope and status of internal controls designed to promote compliance with laws and regulations, through receiving reports from management, the internal auditor, legal counsel and third parties as determined by the Committee.
3. Review reports and disclosures of insider and related party transactions.
4. Advise the Board about the Company's policies and procedures regarding compliance with applicable laws and regulations, and with the Code of Business Conduct and Ethics.

J. Directors and Executive Officers and Conflicts of Interest

The Committee shall review:

1. Significant conflicts of interest involving directors and executive officers.
2. Compliance with Company policies and procedures with respect to officers' expense accounts and perquisites, including their use of corporate assets, and consider the results of the review of these areas by the internal auditor or the independent auditor.

K. Complaints Regarding Accounting or Auditing Matters

1. The Committee shall establish procedures for (i) the receipt, retention, investigation and treatment of complaints received by the Company regarding accounting, internal accounting controls or auditing matters, and (ii) the confidential, anonymous submission by Company employees of concerns regarding questionable accounting or auditing matters.

L. Charter Amendments

1. The Committee shall review and update this Charter annually and propose appropriate amendments to the Board.

IV. Quorum and Meetings

- A. A quorum of the Committee shall be declared when a majority of the appointed members of the Committee attend, in person or by conference telephone.
- B. The Committee shall meet at least quarterly.

- C. Meetings shall be scheduled at the discretion of the Committee Chairman.
- D. Notice of the meetings shall be provided at least five days in advance, or such shorter period as is agreed to by all members of the Committee.
- E. The Committee shall meet periodically with management, the internal auditors and the independent auditor in separate executive sessions.
- F. The Committee may ask members of management or others to attend meetings and provide pertinent information as necessary.

V. Reports and Self-Assessment

The Committee shall:

- A. Report to the Board regularly with respect to its activities and give its recommendations.
- B. Keep minutes of its meetings and make such minutes available to the full Board for its review.
- C. Provide such background and supporting information as may be necessary for the Board to make an informed decision concerning recommendations or advice.
- D. Review with the Board any issues that arise concerning the quality or integrity of the Company's financial statements, the internal controls over financial reporting, legal and regulatory compliance, the performance and independence of the independent auditor, and the performance of the internal audit function.
- E. Report to stockholders the Committee's review and discussion of matters with management and the independent auditor in the Company's proxy statement for its annual meeting.
- F. Include a copy of the Committee charter as an appendix to the proxy statement at least once every three years.
- G. Conduct an annual self-assessment evaluating the Committee's performance during the last year.

VI. Other Authority

The Committee is authorized to:

- A. Confer with Company management and other employees to the extent it may deem necessary or appropriate to fulfill its duties.
- B. Conduct or authorize investigations into any matters within the Committee's scope of responsibilities.
- C. Retain outside legal, accounting or other advice to the extent it deems necessary or appropriate.
- D. Perform such other functions as are authorized for the Committee by the Board.

The Company shall provide for appropriate funding, as determined by the Committee, for payment of (a) fees to the independent auditor for the purpose of issuing reports on the annual financial statements, on the review of interim financial statements, and internal controls over financial reporting, and for performing other audit, review or attest services for the Company, (b) fees to any advisors employed by the Committee, and (c) the Committee's ordinary administrative expenses.

Revised on March 30, 2006